

## Some hits, some misses

Yet again RBK's PPOP was better than expected, due to sharp NIM improvement and one-off staff cost reversals. PAT was above estimates, even as provisions remained elevated. Slippages remained high, and were mostly from anticipated stress. Maintain NEUTRAL with a TP of Rs 348 (1.5x Dec-21E ABV of Rs 232).

### HIGHLIGHTS OF THE QUARTER

- **Corporate Pain:** GNPA's (~3%) increased ~31% QoQ, as elevated slippages (Rs 10.5bn, 7.1% ann.) continued. ~70% of slippages were from pre-identified stressed large corp loans. The mgt maintained its assessment of this pool at ~Rs 18bn, of which ~Rs 15bn has slipped so far and the bal. is expected to slip in 4Q. RBK saw ~Rs 7bn of wholesale loans downgraded to BB and below (6% of exposure). We watch this pool as it may be a precursor of further stress. RBK saw a marginal uptick in stress, in its non-wholesale book. We build slippages of ~3.6% over FY20-22E.
- **Corp Drags Overall Growth:** Overall loan growth slowed further to ~20/2% with wholesale loans de-growing ~4% QoQ. This can be attributed to (1) A conscious reduction in certain large exposures as indicated by commentary, (2) Possible capital conservation (pre-fund raise), and (3) Lower demand.

### FINANCIAL SUMMARY

(Rs mn)	3QFY20	3QFY19	YoY (%)	2QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Interest Income	9,227	6,551	40.8%	8,687	6.2%	17,663	25,395	33,506	41,732	51,916
PPOP	7,322	4,985	46.9%	6,358	15.2%	13,311	19,398	26,212	31,453	38,431
PAT	700	2,252	-68.9%	543	28.8%	6,351	8,670	6,064	12,286	16,902
EPS (Rs)	1.4	5.3	-73.8%	1.3	9.1%	15.1	20.3	11.9	24.2	33.3
ROAE (%)						11.5	12.2	6.6	10.9	13.5
ROAA (%)						1.15	1.22	0.68	1.14	1.27
Adj. BVPS (Rs)						151.8	168.1	189.3	212.1	238.6
P/ABV (x)						2.23	2.02	1.79	1.60	1.42
P/E (x)						22.4	16.7	28.4	14.0	10.2

Source: Bank, HDFC sec Inst Research

Non-wholesale loan growth was healthy 42/8%, with strong growth in BBB loans (+49/9%). We estimate a loan CAGR of 23% over FY20-22E, especially with support from the recent fund-raise.

- **Elevated Provisions Continued:** High provisions (~Rs 6.4bn) continued to dent RBK's profits. RBK has provided ~45-50% on the large corp a/cs that slipped in 2Q and 3Q, in line with its recovery estimates. High NPL accretion and WOs resulted in a ~990/220bps fall in calc. PCR to ~39%. LLPs are likely to remain elevated, as RBK will need to provide more on anticipated corp stress. We build LLPs of ~2.6% over FY20E and 1.7% over FY21-22E.

### STANCE

**Asset quality deterioration was on expected lines, and from pre-identified stressed pools. However, we remain cautious on RBK's asset quality for the following reasons (1) 3QFY20 saw a sharp ~Rs 7bn rise in BB and below rated corp loans, (2) Recent asset quality trends reflect poorly on underwriting and risk practices, and (3) Broader economic conditions. While the capital raise is a big positive and will support the bank's growth trajectory, it does not entirely mitigate the above risks. We maintain NEUTRAL.**

INDUSTRY	BANKS
<b>CMP (as on 22 Jan 2020)</b>	<b>Rs 339</b>
<b>Target Price</b>	<b>Rs 348</b>
Nifty	12,107
Sensex	41,115
<b>KEY STOCK DATA</b>	
Bloomberg	RBK IN
No. of Shares (mn)	488
MCap (Rsbn) / (\$ mn)	166/2,326
6m avg traded value (Rs mn)	4,998
<b>STOCK PERFORMANCE (%)</b>	
<b>52 Week high / low</b>	<b>Rs 717/231</b>
	3M 6M 12M
Absolute (%)	18.2 (29.0) (41.0)
Relative (%)	12.7 (37.1) (53.8)
<b>SHAREHOLDING PATTERN (%)</b>	
	Sep-19 Dec-19
Promoters	- -
FIs & Local MFs	27.4 27.6
FPIs	32.8 30.0
Public & Others	39.8 42.4
Pledged Shares	Nil Nil

Source : BSE

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- **Margin Expansion:** RBK continued to witness strong and sustained margin expansion (+45/22bps, for the 13<sup>th</sup> straight qtr). A sustained expansion in non-wholesale yields (15.5%, +120/10bps, facilitated by the rising share of high yielding loans) and a reduction in the CoF (aided by lower CoD and re-finance availed during the qtr). Interest reversals were merely ~Rs 200mn vs. Rs 250mn in 2Q. With a continued uptick in NIMs, we have increased our NIM estimates to 4.3% over FY20-22E.
- **Oplev Aided By One-off:** Opex was flat QoQ (+28% YoY), as staff costs dipped 4% QoQ (+15% YoY), on a/c of reversal of excess retirement benefit provisions made in 1Q (~Rs 250mn). Consequently the C-I dipped ~340bps QoQ to ~48%. This is transient, with high spends on the growing cards biz. and sustained branch addition, cost growth is likely to accelerate. We estimate a C-I ratio of ~51% over FY20-22E.
- **Strong Fee Growth:** Core fees registered a sharp ~36/22% growth, with card related fees growing ~89/22% (~57% of fees). RBK saw strong growth in the no of cards in force, card spends and spends per card. Processing fees saw a ~35% YoY dip on a/c of slower growth in corporate loans. We model fees at ~2.2% of average loans over FY20-22E.
- **Micro-credit:** RBK's o/s micro-banking loans grew ~31/7% to ~Rs 55bn. Avg. ticket size at ~Rs 20k was in line with the overall industry average. RBK did see some stress in its exposure to AS (4% of micro-loan portfolio) and collection efficiency had dipped to ~85% on a/c of civil unrest and some specific issues in 5-6 districts. No new loans have been disbursed in the state since. Current benign asset quality trends across the industry do not reflect the underlying risks of these loans. Manifestation of these risks could result in higher NPLs across the industry and RBK could be impacted.
- **Credit Card Biz.:** This vertical continued to see strong growth with o/s debt growing ~109/17%, cards in force growth 75/10% and spends per card growing 7% QoQ. W/Os here saw a ~50bps QoQ uptick to ~5% (as RBK moved to daily NPA stamping) and GNPA's were largely static at 1-1.5%.

## Five Quarters At A Glance

(Rs mn)	3QFY19	4QFY19	1QFY20	2QFY19	3QFY20	YoY Growth	QoQ Growth
<b>Net Interest Income</b>	<b>6,551</b>	<b>7,387</b>	<b>8,173</b>	<b>8,687</b>	<b>9,227</b>	<b>40.8%</b>	<b>6.2%</b>
Non Interest Income	3,741	4,092	4,812	4,415	4,870	30.2%	10.3%
Core Fee Income	3,479	3,888	4,090	3,885	4,724	35.8%	21.6%
Treasury Income	262	205	722	530	146	-44.2%	-72.4%
<b>Operating Income</b>	<b>10,291</b>	<b>11,480</b>	<b>12,985</b>	<b>13,102</b>	<b>14,096</b>	<b>37.0%</b>	<b>7.6%</b>
Operating Expenses	5,307	5,880	6,797	6,744	6,775	27.7%	0.5%
<b>Pre provision Profits</b>	<b>4,985</b>	<b>5,600</b>	<b>6,188</b>	<b>6,358</b>	<b>7,322</b>	<b>46.9%</b>	<b>15.2%</b>
Other Provisions	1,607	2,000	2,132	5,333	6,383	297.2%	19.7%
PBT	3,378	3,600	4,056	1,025	939	-72.2%	-8.4%
Provision for Tax	1,126	1,128	1,386	482	239	-78.7%	-50.4%
<b>PAT</b>	<b>2,252</b>	<b>2,472</b>	<b>2,671</b>	<b>543</b>	<b>700</b>	<b>-68.9%</b>	<b>28.8%</b>

### Balance Sheet items/ratios

<b>Deposits (Rs bn)</b>	<b>521.9</b>	<b>583.9</b>	<b>608.1</b>	<b>628.3</b>	<b>629.1</b>	<b>20.5%</b>	<b>0.1%</b>
CASA Ratio (%)	24.6	25.0	25.8	26.5	26.8	220 bps	30 bps
<b>Advances (Rs bn)</b>	<b>498.9</b>	<b>543.1</b>	<b>568.4</b>	<b>584.8</b>	<b>596.4</b>	<b>19.5%</b>	<b>2.0%</b>
Wholesale	284.8	302.3	307.1	304.7	292.9	2.9%	-3.9%
Non-Wholesale	214.2	240.8	261.2	280.1	303.4	49.4%	8.6%
BBB (Branch & Business Banking)	146.4	164.7	183.9	201.4	218.7	25.1%	7.7%
DB&FI (Dev. Banking and Fin. Incl.)	67.7	76.1	77.3	78.7	84.7	41.7%	8.4%
CD Ratio (%)	95.6	93.0	93.5	93.1	94.8	-80 bps	173 bps
CAR (%)	12.9	13.5	12.4	12.3	16.1	322 bps	378 bps
Tier I (%)	11.6	12.1	11.3	11.3	15.0	344 bps	372 bps
<b>PROFITABILITY</b>							
Yield on Advances (%)	11.20	11.80	12.00	12.10	12.30	110 bps	20 bps
Cost of Funds (%)	6.60	6.76	6.82	6.80	6.60	0 bps	20 bps
<b>NIM (%)</b>	<b>4.12</b>	<b>4.23</b>	<b>4.30</b>	<b>4.35</b>	<b>4.57</b>	<b>45 bps</b>	<b>22 bps</b>
Cost-Income (%)	51.6	51.2	52.3	51.5	48.1	-351 bps	-341 bps
Tax Rate (%)	33.3	31.3	34.2	47.0	25.5	-784 bps	-2153 bps
<b>ASSET QUALITY</b>							
Gross NPA (Rs mn)	6,955	7,546	7,892	15,391	20,105	189.1%	30.6%
Net NPA (Rs mn)	3,582	3,727	3,716	9,123	12,364	245.1%	35.5%
Gross NPAs (%)	1.38	1.38	1.38	2.60	3.33	195 bps	73 bps
Net NPAs (%)	0.72	0.69	0.65	1.56	2.07	135 bps	51 bps
<b>Slippages Ratio (%)</b>	<b>1.76</b>	<b>1.58</b>	<b>1.62</b>	<b>9.55</b>	<b>7.10</b>	<b>534 bps</b>	<b>-245 bps</b>
Calc. Coverage Ratio (%)	48.5	50.6	52.9	40.7	38.5	-999 bps	-222 bps
Restructured book (%)	0.09	0.04	0.06	0.04	0.06	-3 bps	2 bps

Source: Bank, HDFC sec Inst Research

*QoQ growth largely driven by a sharp 22bps NIM expansion*

*After an ~8% QoQ dip in 2Q; corporate processing fees were lower*

*QoQ growth muted due to a ~4% dip in staff costs, as excess retirement provisions of ~Rs 250mn were reversed in 3Q*

*Slower growth was due to slower bulk deposit accretion, fund raise and refinance opportunities*

*Boosted by the recent fund-raise; the mgt states that this should suffice for 3 yrs*

*Wholesale yields were ~9.1% and non-wholesale yields were ~15.5%;*

*Rise for the 13<sup>th</sup> straight qtr, at an all-time high*

*Gross slippages were ~Rs 10.5bn vs. ~Rs 13.8bn QoQ and incl. ~Rs 7bn from the stressed asset pool*

*PCR incl. WOs was ~58% and RBK held ~45-50% PCR on advances that have slipped from the spool of stressed assets that have slipped so far*

**NBFCs (4.9%), Construction (4.9%), Engineering (3.4%), Retail (3.3%) & Real Estate (3.3%) are the Top5 sectors in terms of exposure; RBK has seen a significant QoQ reduction in exposures to these sectors**

**Wholesale advances constitute 49% (vs. 52% QoQ) of total loans**

**Segment wise growth:**

**C&IB (+7/-4%)**

**CB (-6/-4%)**

**LAP (+32/2%)**

**CC (+109/17%)**

**Retail Agri (-3/+3%)**

**BIL (+16/2%)**

**Micro banking (+31/7%)**

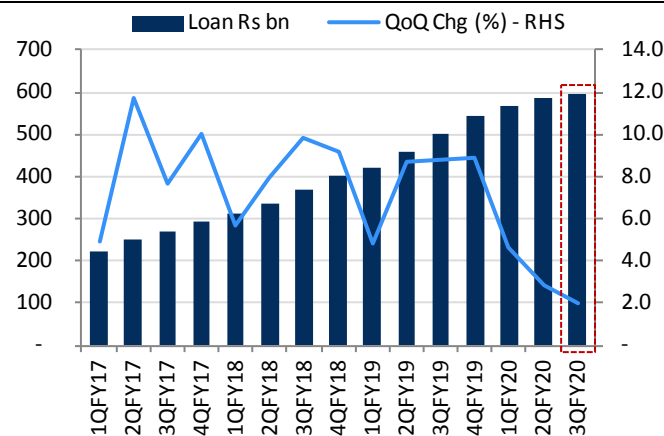
**IFI (3/10%)**

**MSME (+40/7%)**

**Cards constitute ~16% (+200bps QoQ) of the book & account for ~57% of Fees**

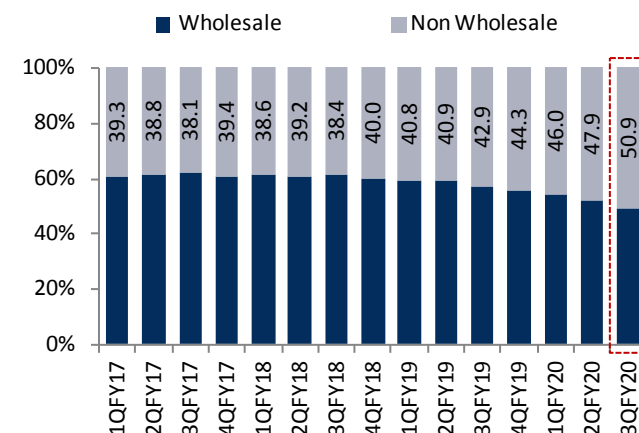
**RBK has ~2.51mn cards in force (+76/10%)**

### Loans Growth Slowed Further to ~20/2%



Source: Bank, HDFC sec Inst Research

### Non-Wholesale Continues To Gain Share



Source: Bank, HDFC sec Inst Research; Reclassification from 3QFY19

### Breakup Of Loans: Non-Wholesale Loans Continue To Gain Share

Rs bn	2QFY17	3QFY17	4QFY17	1Q FY18*	2Q FY18*	3Q FY18*	4Q FY18*	1Q FY19*	2Q FY19*	3Q FY19*	4Q FY19*	1Q FY20*	2Q FY20*	3Q FY20*
C&IB	105.9	115.4	123.4	130.8	139.0	156.1	162.4	171.5	188.3	199.4	213.5	219.8	221.4	212.6
CB	46.2	50.3	55.1	60.1	65.3	71.1	75.1	78.4	83.0	85.4	88.8	87.3	83.3	80.3
<b>Wholesale</b>	<b>152.2</b>	<b>165.8</b>	<b>178.5</b>	<b>190.9</b>	<b>204.2</b>	<b>227.1</b>	<b>237.5</b>	<b>249.9</b>	<b>271.3</b>	<b>284.8</b>	<b>302.3</b>	<b>307.1</b>	<b>304.7</b>	<b>292.9</b>
% of total loans	61.2	61.9	60.6	61.4	60.8	61.6	59.0	59.2	59.1	57.1	55.7	54.0	52.1	49.1
BBB (LAP, Credit Cards, etc.)	43.4	47.9	53.7	78.2	85.4	94.0	104.3	113.6	124.1	146.4	164.7	183.9	201.4	218.7
Agri	16.8	17.5	21.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FI	36.4	36.6	41.2	42.0	46.1	47.8	56.8	58.5	63.4	67.7	76.1	77.3	78.7	84.7
<b>Non Wholesale</b>	<b>96.6</b>	<b>102.0</b>	<b>116.0</b>	<b>120.2</b>	<b>131.5</b>	<b>141.8</b>	<b>165.2</b>	<b>172.1</b>	<b>187.4</b>	<b>214.2</b>	<b>240.8</b>	<b>261.2</b>	<b>280.1</b>	<b>303.4</b>
% of total loans	38.8	38.1	39.4	38.6	39.2	38.4	40.0	40.8	40.9	42.9	44.3	46.0	47.9	50.9
<b>TOTAL</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>	<b>458.7</b>	<b>498.9</b>	<b>543.1</b>	<b>568.4</b>	<b>584.8</b>	<b>596.4</b>

Source: Bank, HDFC sec Inst Research; C&IB – Corporate & Institutional Banking, CB – Commercial Banking, BBB – Branch & Business Banking, FI – Financial Inclusion; \*Not comparable with other quarters owing to reclassification of agri loans

### Breakup Of Fee Streams: Credit Card Fees Fastest Growing Component

%	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Forex	20	21	16	19	17	15	14	12	12	11	12	11	10	9
Processing fees	39	35	38	31	28	29	24	24	23	23	23	19	12	11
General Banking	14	16	19	15	15	12	14	12	14	14	11	12	9	12
Distribution #	16	18	4	3	4	4	6	4	3	3	4	2	3	3
Trade and others	11	9	9	9	10	9	10	8	8	8	9	9	9	9
<b>Credit Cards</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>23</b>	<b>25</b>	<b>31</b>	<b>33</b>	<b>40</b>	<b>40</b>	<b>41</b>	<b>41</b>	<b>47</b>	<b>57</b>	<b>57</b>

Source: Bank, HDFC sec Inst Research; # includes credit card fees till 3QFY17

**Growth in both CA and SA was flattish QoQ, in spite of which the CASA ratio increased ~30bps QoQ to 26.8%**

**The C-I ratio fell ~340bps QoQ to ~48% (lowest in the last 18 qtrs) on a/c of reversals in certain retirement benefit provisions**

**RBK added 25 branches, 17 banking outlets and 89 BC branches in the qtr**

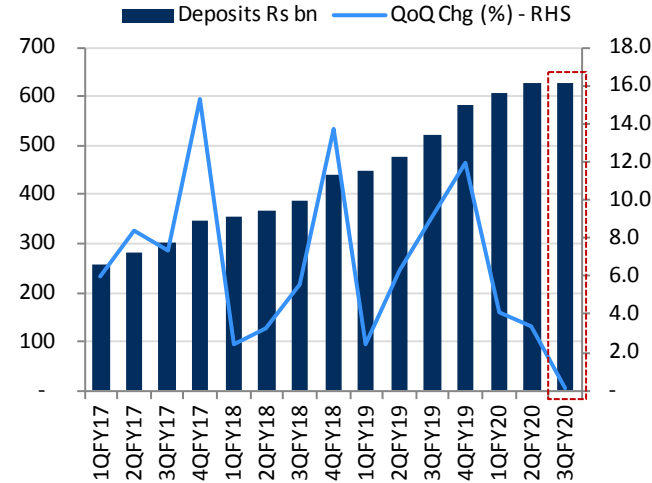
**The mgt intends on adding another ~30 branches in FY20E and ~100 in FY21E**

**Wholesale yields saw a ~10bps QoQ dip to 9.1% while non-wholesale yields were up ~10bps QoQ to 15.5%**

**Interest reversals were ~Rs 250mn vs. ~Rs 200mn QoQ**

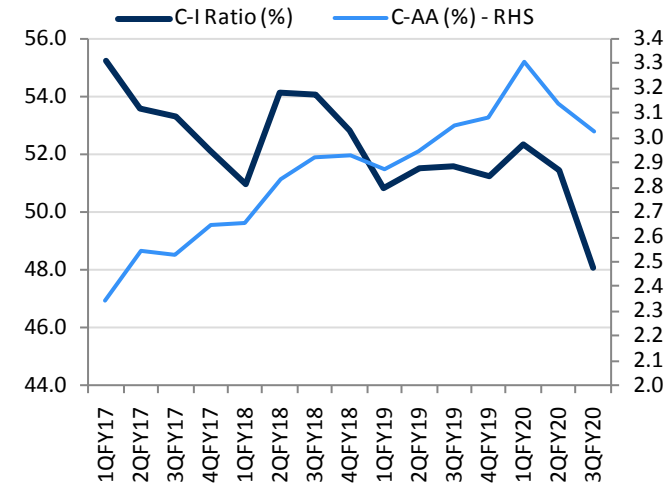
**RBK currently has excess liquidity and its daily avg. LCR is ~164% for 3QFY20**

### Deposit Growth Too Slows To 21% (Flat QoQ)



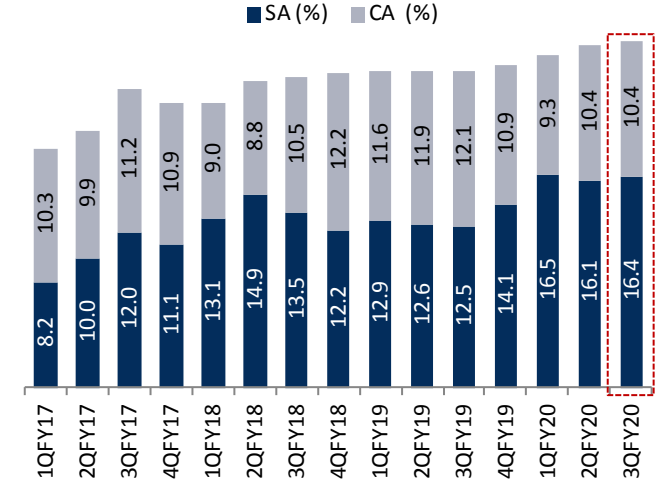
Source: Bank, HDFC sec Inst Research

### C-I Ratio: Optimal QoQ Improvement



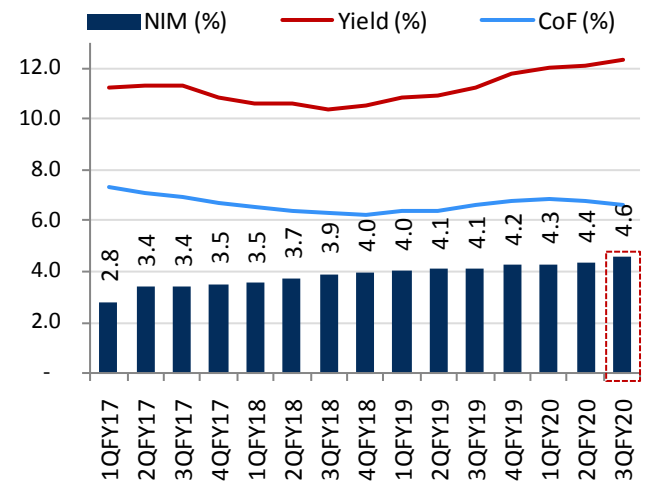
Source : Bank, HDFC sec Inst Research

### CASA Ratio Up 30bps QoQ To ~26.8%



Source: Bank, HDFC sec Inst Research

### NIMs Expand 22bps QoQ



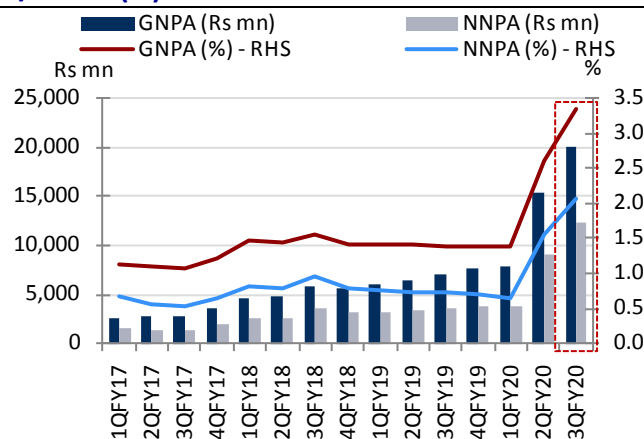
Source : Bank, HDFC sec Inst Research

**Slippages remained elevated QoQ at ~Rs 10.5bn, of which ~Rs 7bn were from earlier disclosed stressed corporate a/cs**

**The mgt did not revise its assessment of stressed corp a/cs (~Rs 18bn); however, the BB and below rated pool of corporate assets saw an inflow of ~Rs 7bn (possible pre-cursor to the stressed pool of assets)**

**SMA II was ~69bps incl. a ~30bps overlap with the pool of stressed corporate loans that have not slipped**

### G/NNPA (%) Continue To Rise



Source : Bank, HDFC sec Inst Research

### Slippages: Remain Elevated

Rs mn	1HFY17	9MFY17	FY17	1QFY18	1HFY18	9MFY18	FY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Opening	2,080	2,080	2,080	3,570	3,570	3,570	5,800	5,670	5,970	6,450	6,960	7,550	7,890	15,380
<b>Slippages</b>	<b>1,060</b>	<b>1,280</b>	<b>5,330</b>	<b>1,520</b>	<b>2,440</b>	<b>4,540</b>	<b>1,150</b>	<b>1,480</b>	<b>1,420</b>	<b>2,110</b>	<b>2,060</b>	<b>2,250</b>	<b>13,770</b>	<b>10,480</b>
% ann.	1.00	1.00	2.51	2.07	1.66	2.05	1.19	1.44	1.29	1.76	1.58	1.62	9.55	7.10
Reductions	400	510	3,850	520	1,140	2,310	1,280	1,180	940	1,600	1,470	1,910	6,280	5,770
<b>Closing</b>	<b>2,740</b>	<b>2,850</b>	<b>3,560</b>	<b>4,570</b>	<b>4,870</b>	<b>5,800</b>	<b>5,670</b>	<b>5,970</b>	<b>6,450</b>	<b>6,960</b>	<b>7,550</b>	<b>7,890</b>	<b>15,380</b>	<b>20,090</b>

Source: Bank, HDFC sec Inst Research

### Segmental GNPA's: Sharp Rise in C&IB GNPA's

Rs mn	1HFY17	9MFY17	FY17	1QFY18	1HFY18	9MFY18	FY18	1QFY19	1HFY19	9MFY19	FY19	1QFY20	2QFY20	3QFY20
C&IB	378	378	1,038	1,030	1,028	1,422	831	923	921	921	1,215	1,395	8,424	13,753
CB #	1,592	1,604	1,389	1,438	1,236	1,057	1,264	2,187	2,551	2,496	2,369	2,421	1,986	625
<b>BBB #</b>	<b>550</b>	<b>617</b>	<b>763</b>	<b>865</b>	<b>1,037</b>	<b>1,108</b>	<b>1,138</b>	<b>1,675</b>	<b>2,007</b>	<b>2,865</b>	<b>3,398</b>	<b>3,477</b>	<b>4,214</b>	<b>4,751</b>
FI	119	131	197	1,012	1,307	1,635	1,628	1,174	970	673	564	599	767	976
<b>TOTAL</b>	<b>2,746</b>	<b>2,847</b>	<b>3,568</b>	<b>4,345</b>	<b>4,872</b>	<b>5,798</b>	<b>5,667</b>	<b>5,959</b>	<b>6,449</b>	<b>6,955</b>	<b>7,546</b>	<b>7,892</b>	<b>15,391</b>	<b>20,105</b>

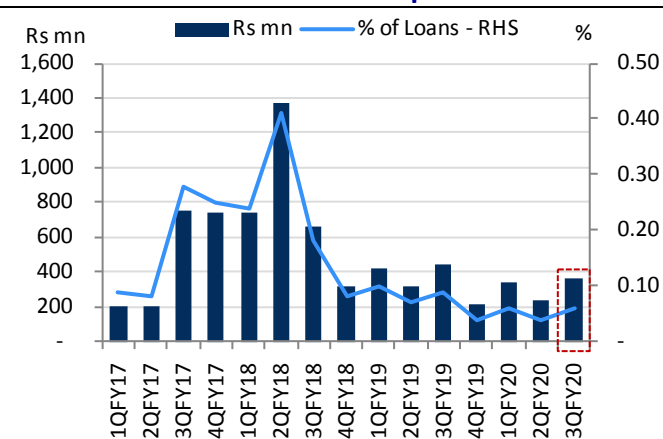
Source: Bank, HDFC sec Inst Research; # Agri is now split into wholesale and retail and included in CB and BBB respectively

### Change In Estimates

Rs mn	FY20E			FY21E			FY22E		
	Old	New	Change	Old	New	Change	Old	New	Change
NII	32,781	33,506	2.2%	40,407	41,732	3.3%	49,769	51,916	4.3%
PPOP	24,969	26,212	5.0%	30,934	31,453	1.7%	36,824	38,431	4.4%
PAT	5,814	6,064	4.3%	11,630	12,286	5.6%	16,529	16,902	2.3%
ABV (Rs)	189	189	0.1%	211	212	0.4%	238.0	238.6	0.2%

Source: HDFC sec Inst Research

### Restructured Book At A Mere 6bps



Source : Bank, HDFC sec Inst Research



## Peer Set Comparison

	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
ICICIB #	3,372	523	BUY	580	155	178	207	31.0	16.0	11.7	2.65	2.26	1.91	6.9	12.8	15.4	0.83	1.40	1.65
KMB #	3,027	1,586	NEU	1,681	237	275	320	38.5	32.4	26.4	5.42	4.54	3.80	14.6	14.5	15.1	1.94	1.99	2.07
<b>AXSB #</b>	<b>2,009</b>	<b>713</b>	<b>BUY</b>	<b>988</b>	<b>262</b>	<b>312</b>	<b>362</b>	<b>35.4</b>	<b>15.4</b>	<b>12.2</b>	<b>2.61</b>	<b>2.19</b>	<b>1.89</b>	<b>7.1</b>	<b>13.6</b>	<b>15.1</b>	<b>0.64</b>	<b>1.31</b>	<b>1.45</b>
IIB	941	1,328	BUY	1,990	515	582	690	17.5	13.8	11.1	2.58	2.28	1.92	16.8	16.8	18.1	1.78	1.90	1.97
FB	186	94	BUY	122	65	74	84	11.2	9.3	7.5	1.45	1.27	1.12	11.9	13.0	14.4	0.98	1.04	1.12
CUBK	174	236	BUY	265	68	79	91	21.7	18.9	16.5	3.50	3.00	2.58	15.3	15.2	15.0	1.62	1.62	1.61
<b>RBK</b>	<b>166</b>	<b>339</b>	<b>NEU</b>	<b>348</b>	<b>189</b>	<b>212</b>	<b>239</b>	<b>28.4</b>	<b>14.0</b>	<b>10.2</b>	<b>1.79</b>	<b>1.60</b>	<b>1.42</b>	<b>6.6</b>	<b>10.9</b>	<b>13.5</b>	<b>0.68</b>	<b>1.14</b>	<b>1.27</b>
DCBB	56	180	BUY	252	97	113	130	13.6	11.2	8.9	1.86	1.60	1.38	12.4	13.5	14.9	1.07	1.14	1.22
KVB	43	54	NEU	64	54	60	65	12.9	7.3	5.1	1.01	0.91	0.83	5.2	8.9	12.4	0.47	0.76	0.98
SBIN #	2,820	316	BUY	418	182	215	250	12.1	7.7	5.3	1.29	1.08	0.84	7.6	10.9	13.0	0.45	0.64	0.77
AUBANK	268	887	BUY	853	121	148	184	39.5	28.6	22.2	7.30	5.99	4.83	18.1	19.6	20.8	1.80	1.91	1.93

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

## Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	45,076	63,007	78,484	96,088	120,409
Interest Expended	27,413	37,612	44,978	54,356	68,493
<b>Net Interest Income</b>	<b>17,663</b>	<b>25,395</b>	<b>33,506</b>	<b>41,732</b>	<b>51,916</b>
<b>Other Income</b>	<b>10,682</b>	<b>14,424</b>	<b>18,140</b>	<b>21,885</b>	<b>26,511</b>
<i>Fee Income (CEB)</i>	<i>7,226</i>	<i>11,656</i>	<i>13,672</i>	<i>17,274</i>	<i>21,781</i>
<i>Treasury Income</i>	<i>1,665</i>	<i>784</i>	<i>2,250</i>	<i>2,150</i>	<i>2,000</i>
<b>Total Income</b>	<b>28,345</b>	<b>39,818</b>	<b>51,646</b>	<b>63,617</b>	<b>78,428</b>
<b>Total Operating Exp</b>	<b>15,034</b>	<b>20,420</b>	<b>25,434</b>	<b>32,164</b>	<b>39,997</b>
<i>Employee Expense</i>	<i>5,507</i>	<i>6,362</i>	<i>8,602</i>	<i>11,240</i>	<i>14,321</i>
<b>PPOP</b>	<b>13,311</b>	<b>19,398</b>	<b>26,212</b>	<b>31,453</b>	<b>38,431</b>
Provisions & Contingencies	3,645	6,407	17,730	14,939	15,714
<i>Prov. for NPAs (incl. std prov.)</i>	<i>2,995</i>	<i>5,234</i>	<i>15,730</i>	<i>13,939</i>	<i>14,714</i>
<b>PBT</b>	<b>9,665</b>	<b>12,992</b>	<b>8,482</b>	<b>16,514</b>	<b>22,717</b>
<i>Provision for Tax</i>	<i>3,315</i>	<i>4,322</i>	<i>2,417</i>	<i>4,228</i>	<i>5,816</i>
<b>PAT</b>	<b>6,351</b>	<b>8,670</b>	<b>6,064</b>	<b>12,286</b>	<b>16,902</b>

Source: Bank, HDFC sec Inst Research

## Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	4,197	4,267	5,082	5,082	5,082
Reserves	62,643	71,206	102,572	112,968	127,270
<b>Shareholders' Funds</b>	<b>66,840</b>	<b>75,473</b>	<b>107,654</b>	<b>118,050</b>	<b>132,352</b>
<i>Savings</i>	<i>53,395</i>	<i>82,448</i>	<i>108,829</i>	<i>141,476</i>	<i>183,918</i>
<i>Current</i>	<i>53,388</i>	<i>63,427</i>	<i>69,770</i>	<i>80,235</i>	<i>96,282</i>
<i>Term Deposit</i>	<i>332,240</i>	<i>438,069</i>	<i>492,849</i>	<i>640,725</i>	<i>820,149</i>
<b>Total Deposits</b>	<b>439,023</b>	<b>583,944</b>	<b>671,448</b>	<b>862,437</b>	<b>1,100,349</b>
Borrowings	92,614	118,321	162,395	175,179	194,529
Other Liabilities	20,031	25,850	29,728	35,123	41,501
<b>Total Liabilities</b>	<b>618,508</b>	<b>803,588</b>	<b>971,225</b>	<b>1,190,789</b>	<b>1,468,731</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	42,844	66,021	97,160	108,974	129,243
Investments	154,473	168,404	207,575	243,105	286,209
<i>G-Secs</i>	<i>113,220</i>	<i>119,427</i>	<i>154,433</i>	<i>185,424</i>	<i>225,572</i>
Advances	402,678	543,082	635,912	803,460	1,013,076
Fixed Assets	3,340	4,025	4,830	5,554	6,387
Other Assets	15,172	22,056	25,748	29,695	33,816
<b>Total Assets</b>	<b>618,508</b>	<b>803,588</b>	<b>971,225</b>	<b>1,190,789</b>	<b>1,468,731</b>

Source: Bank, HDFC sec Inst Research



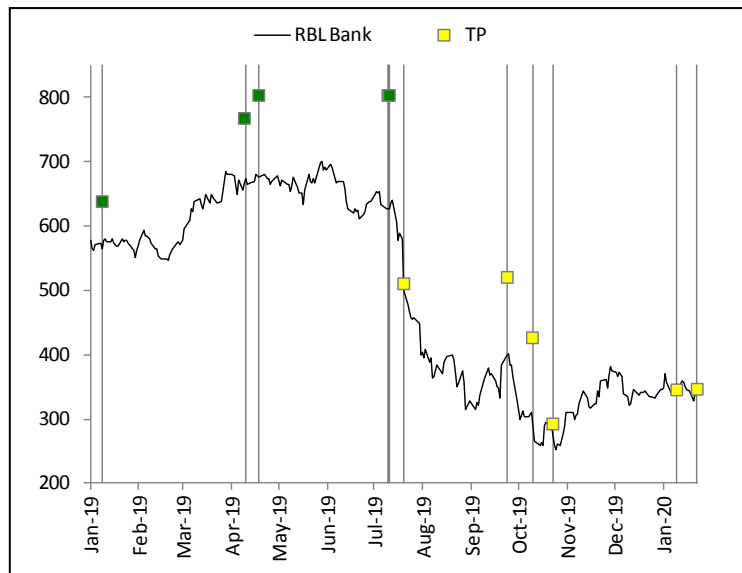
## Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>					
EPS (Rs)	15.1	20.3	11.9	24.2	33.3
Earnings Growth (%)	52.1	36.5	(30.0)	102.6	37.6
BVPS (Rs)	159.2	176.9	211.8	232.3	260.4
Adj. BVPS (Rs)	151.8	168.1	189.3	212.1	238.6
DPS (Rs)	2.1	2.7	1.6	3.2	4.4
ROAA (%)	1.15	1.22	0.68	1.14	1.27
ROAE (%)	11.5	12.2	6.6	10.9	13.5
P/E (x)	22.4	16.7	28.4	14.0	10.2
P/ABV (x)	2.23	2.02	1.79	1.60	1.42
P/PPOP (x)	10.7	7.5	6.6	5.5	4.5
Dividend Yield (%)	0.6	0.8	0.5	0.9	1.3
<b>PROFITABILITY</b>					
Yield On Advances (%)	9.84	10.68	10.86	10.94	10.98
Yield On Investment (%)	6.90	6.77	6.70	6.60	6.60
Cost Of Funds (%)	5.73	6.10	5.86	5.81	5.87
Cost Of Deposits (%)	5.96	6.34	6.22	6.19	6.16
Core Spread (%)	4.12	4.58	5.00	5.13	5.11
NIM (%)	3.48	3.90	4.19	4.28	4.28
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.72	2.87	2.87	2.98	3.01
Core Cost-Income Ratio (%)	56.35	52.31	51.49	52.33	52.33
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	36.7	34.9	17.1	26.3	26.1
Deposit Growth (%)	26.9	33.0	15.0	28.4	27.6
C/D Ratio (%)	91.7	93.0	94.7	93.2	92.1
Equity/Assets (%)	10.8	9.4	11.1	9.9	9.0
Equity/Advances (%)	16.6	13.9	16.9	14.7	13.1
CASA (%)	24.3	25.0	26.6	25.7	25.5
Capital Adequacy Ratio (CAR, %)	15.3	13.5	15.6	14.0	12.8
W/w Tier I CAR (%)	13.6	12.1	14.5	13.1	12.0

	FY18	FY19	FY20E	FY21E	FY22E
<b>ASSET QUALITY</b>					
Gross NPLs (Rsm)	5,667	7,546	24,122	24,129	26,326
Net NPLs (Rsm)	3,126	3,728	11,436	10,226	11,061
Gross NPLs (%)	1.40	1.39	3.79	3.00	2.60
Net NPLs (%)	0.78	0.69	1.80	1.27	1.09
Slippages (%)	1.63%	1.50%	5.50%	2.85%	2.50%
Coverage Ratio (%)	44.8	50.6	52.6	57.6	58.0
Provision/Avg. Loans (%)	0.74	0.99	2.61	1.84	1.53
<b>ROAA TREE</b>					
Net Interest Income	3.20%	3.57%	3.78%	3.86%	3.90%
Non Interest Income	1.93%	2.03%	2.04%	2.02%	1.99%
Treasury Income	0.30%	0.11%	0.25%	0.20%	0.15%
Operating Cost	2.72%	2.87%	2.87%	2.98%	3.01%
Provisions	0.66%	0.90%	2.00%	1.38%	1.18%
Provisions For NPAs	0.47%	0.66%	1.73%	1.23%	1.04%
Tax	0.60%	0.61%	0.27%	0.39%	0.44%
ROAA	1.15%	1.22%	0.68%	1.14%	1.27%
Leverage (x)	10.03	9.99	9.69	9.58	10.62
ROAE	11.53%	12.18%	6.62%	10.89%	13.50%

Source: Bank, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
22-Jul-19	500	NEU	512
22-Sep-19	383	NEU	522
9-Oct-19	310	NEU	428
23-Oct-19	287	NEU	294
9-Jan-20	346	NEU	347
23-Jan-20	339	NEU	348

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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

**INSTITUTIONAL RESEARCH**
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