IndusInd Bank

BUY

INDUSTRY	**BANKS**
CMP *(as on 11 July 2017)*	**Rs 1,561**
Target Price	**Rs 1,663**
Nifty	9,786
Sensex	31,747
KEY STOCK DATA	
Bloomberg	IIB IN
No. of Shares (mn)	598
MCap (Rs bn) / ($ mn)	934/14,470
6m avg traded value (Rs mn)	1,693
STOCK PERFORMANCE (%)	
52 Week high / low	**Rs 1,572/1,037**

	3M	6M	12M
Absolute (%)	9.6	26.5	38.8
Relative (%)	3.0	9.5	23.9

SHAREHOLDING PATTERN (%)	
Promoters	16.8
FIs & Local MFs	13.6
FPIs	48.8
Public & Others	19.2

Source : BSE

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Scaling new heights

IndusInd Bank (IIB), yet again, delivered a top quartile performance across parameters. CASA jumped ~250bps QoQ (37.8%) led by strong SA growth (17%), balanced loan growth (24% YoY), superior NIM (4%), healthy fee traction (+25% YoY), PCR improvement (60%, +165bps QoQ). Other positives include slower RWA growth (1% QoQ vs. loan growth of ~3%) and conservative utilization of one-time provisions (Rs 1.2bn). Higher slippages (led by relapse and retail book) drove GNPAs up by ~21%. However, the gross stressed book remains stable QoQ at 1.3% (one of the best in the industry).

Over the last three planning cycles (PC), IIB has delivered superior performance in all business metrics. We believe that with every growth engine revving up (network, CRAR, diversified book and innovation), constantly improving liability franchise, favourable margin environment, improving efficiencies and impeccable asset quality, IIB is set to deliver superior return ratios (RoA of ~1.8% by FY19E). Maintain BUY with a TP of Rs 1,663 (3.75xFY19E ABV of Rs 443).

Highlights of the quarter

- **Asset quality blip:** With a relapse in two exposures (Rs 2.2bn) and higher slippages in the retail segment (Rs 2.6bn (2.2% vs. 1.6% QoQ), gross additions were elevated at Rs 6.1bn (2.1% ann. vs. 2.4% QoQ). While there is a rise in GNPAs (+21%), low exposure to stressed assets, diversified and granular book, a mere Rs 500mn exposure to three ACs (of the twelve exposures identified by RBI) and smaller restructured book (17bps) provide comfort on asset quality. We have factored in slippages of avg. ~1.2% over FY17-19E.
- **Created provision buffers:** IIB has conservatively utilised provision reversals (Rs 1.2bn) to create floating provisions (Rs 700mn), std. asset provisions (Rs 330mn) and additional provisions towards security receipts and MFI portfolio (Rs 200mn). While the mgmt hinted for additional provisions towards MFI and stressed exposures in 2Q, we believe that conservatism will provide a cushion to earnings.
- **Near-term outlook:** Pickup in CV cycle, favorable margin environment and normalisation of slippages will keep the stock buoyant.

Financial Summary

(Rs mn)	1QFY18	1QFY17	*YoY (%)*	4QFY17	*QoQ (%)*	FY16	FY17	FY18E	FY19E
Net Interest Income	17,741	13,564	*30.8%*	16,675	*6.4%*	45,166	60,626	74,633	91,587
PPOP	15,885	12,338	*28.8%*	15,722	*1.0%*	41,414	54,510	64,552	79,804
PAT	8,365	6,614	*26.5%*	7,516	*11.3%*	22,864	28,679	35,474	43,208
EPS (Rs)	14.0	11.1	*26.0%*	12.6	*11.3%*	38.4	47.9	59.3	72.2
ROAE (%)						16.6	15.3	16.3	17.2
ROAA (%)						1.80	1.78	1.79	1.78
Adj. BVPS (Rs)						285	331	382	443
P/ABV (x)						5.47	4.71	4.09	3.52
P/E (x)						40.6	32.6	26.3	21.6

Source: Bank, HDFC sec Inst Research

Five Quarters At A Glance

Rs mn	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	YoY Growth	QoQ Growth
Net Interest Income	13,564	14,603	15,784	16,675	17,741	30.8%	6.4%
Non-interest Income	9,730	9,704	10,168	12,113	11,673	20.0%	-3.6%
Treasury Income	*1,911*	*1,449*	*1,320*	*2150*	*1930*	*1.0%*	*-10.2%*
Operating Income	23,294	24,307	25,952	28,788	29,413	26.3%	2.2%
Operating Expenses	10,956	11,491	12,319	13,065	13,528	23.5%	3.5%
Pre Provision Profits (PPOP)	12,338	12,817	13,633	15,722	15,885	28.8%	1.0%
Provisions And Contingencies	2,305	2,139	2,169	4,301	3,100	34.5%	-27.9%
NPA Provisions	*1,444*	*1,517*	*1,524*	*2556*	*2100*	*45.5%*	*-17.8%*
PBT	10,033	10,678	11,465	11,421	12,786	27.4%	11.9%
Provision for Tax	3,419	3,635	3,959	3,905	4,420	29.3%	13.2%
PAT	6,614	7,043	7,506	7,516	8,365	26.5%	11.3%
Balance Sheet items/ratios							
Deposits	1,018	1,123	1,192	1,266	1,337	31.4%	5.6%
CASA Deposits	*350*	*410*	*442*	*446*	*505*	44.1%	13.1%
Advances	937	989	1,028	1,131	1,164	24.3%	2.9%
CD Ratio (%)	92.1	88.1	86.2	89.3	87.1	-497 bps	-226 bps
CAR (%)	15.42	15.32	15.31	15.31	16.18	76 bps	87 bps
Tier I (%)	14.81	14.68	14.74	14.72	15.66	85 bps	94 bps
Profitability							
Yield On Advances (%)	12.07	11.86	11.73	11.41	11.53	-54 bps	12 bps
Cost Of Deposits (%)	6.93	6.60	6.35	6.08	6.15	-78 bps	7 bps
NIM (%)	3.97	4.00	4.00	4.00	4.00	3 bps	0 bps
Cost-Income Ratio (%)	47.0	47.3	47.5	45.4	46.0	-104 bps	61 bps
Tax Rate (%)	34.1	34.0	34.5	34.2	34.6	49 bps	38 bps
Asset quality							
Gross NPA (Rs bn)	8.6	9.0	9.7	10.5	12.7	47.8%	20.6%
Net NPA (Rs bn)	3.6	3.7	4.0	4.4	5.1	43.0%	15.8%
Gross NPAs (%)	0.91	0.90	0.94	0.93	1.09	18 bps	16 bps
Net NPAs (%)	0.38	0.37	0.39	0.39	0.44	6 bps	5 bps
Delinquency Ratio (%)	1.11	1.08	1.11	2.35	2.12	101 bps	-23 bps
Restructuring O/s (%)	0.49	0.44	0.41	0.37	0.17	-32 bps	-20 bps
Coverage Ratio (%)	58.7	58.9	58.8	58.4	60.0	134 bps	164 bps

~4% ahead of estimates, driven by strong loan growth of ~24% YoY;
Fees grew ~25% YoY, led by strong growth across segments, except processing fees

Focus on improving efficiencies during PC-4 (Mgmt guides for C-I improvement of ~200bps over PC-4)

One-off provisions reversal were utilized for creating(1) Floating provisions of Rs 700mn (2) Std. asset provisions of Rs 330mn and (3) Accelerated provisions of Rs 200mn towards SR and MFI exposures

Strong CASA growth was led by SA growth of ~ 65/17% YoY/QoQ; CA growth was relatively slower at ~19/8% YoY/QoQ

Led by ~26% growth in the corporate segment and ~22% in the CFD segment; Amongst CFD, the non-vehicle finance segment grew at a faster pace

Sequential jump in yields is attributed to interest reversals in 4Q (relating to cement exposure)

Corporate slippages stood at Rs 3.5bn (2% ann. vs. 2.9% QoQ), and CFD slippages at Rs 2.6bn (2.2% ann. vs. 1.6% QoQ)

Change In Estimates

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	74,633	74,633	0.0%	91,587	91,587	0.0%
PPOP	64,552	64,552	0.0%	79,804	79,804	0.0%
PAT	35,474	35,474	0.0%	43,208	43,208	0.0%
Adj. BVPS (Rs)	381.8	381.8	0.0%	443.4	443.4	0.0%

Source: HDFC sec Inst Research

Loan growth was driven by the corporate segment (+26%) and CFD (+22%)

Corporate loans were driven by working capital requirements

The non-vehicle portfolio grew ~37/7% YoY/QoQ, led by a strong growth in credit cards (+55%), PL (+58%) and LAP (+31%),

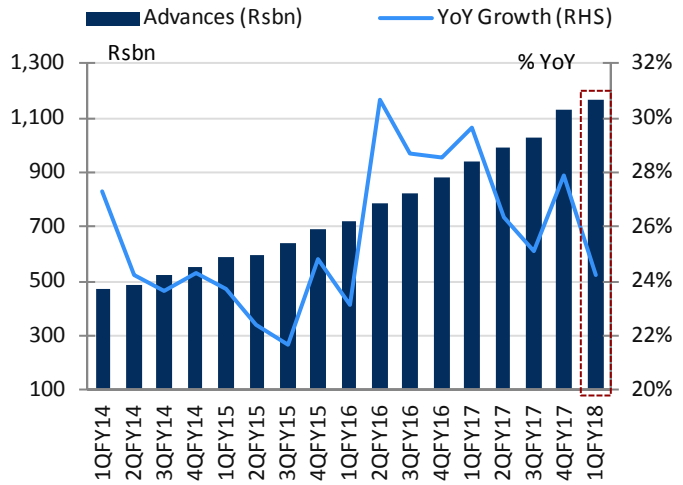
Within the VF portfolio, only 2Ws reported single-digit YoY growth, Cars grew ~18/3% YoY/QoQ

SA growth momentum continues, with a sequential growth of 17% after a 7% QoQ growth in 4Q and 22% in 3Q

Continuous healthy business momentum

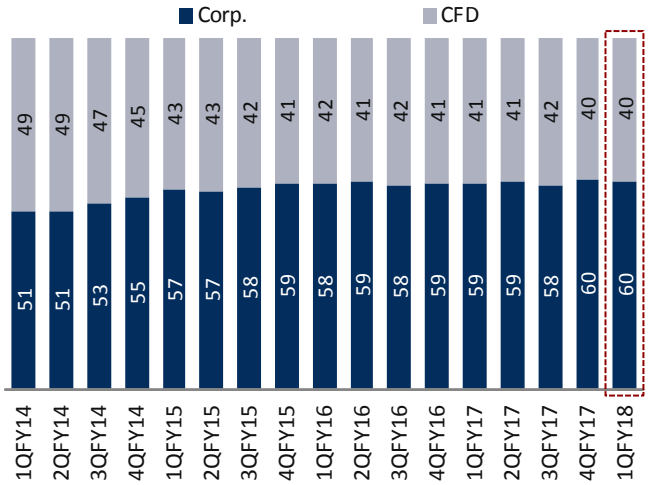
- Robust growth in advances was driven by both, corporate and retail segments. Corporate growth (+26%) was largely broad-based, driven by the mid-corporates (32%) and SME (28%) segments. **Growth in large corporate loans was tilted towards shorter duration advances.** Retail loans grew by 22% YoY, led by the non-vehicle finance segment (largely driven PL +58% YoY and CC +55%), despite the slower growth in the VF segment (~65% of retail loans)
- Disruption owing to BS-4 implementation and supply-side constraints halted growth in VF loans, and growth in sub-segments remained flat sequentially. **Consequently, the share of VF loans in the CFD segment dipped ~310bps to 64.8% of retail loans.**
- With a focus on top rated corporates, a tilt towards working capital loans and MCLR based pricing regime, IIB remains well placed to grow its corporate book at par with the retail segment without compromising on asset quality. **We have factored in a loan CAGR of 27% over FY17-19E.**
- CASA ratio jumped ~250bps QoQ to 37.8%, led by robust SA growth (65/17% YoY/QoQ), and pick-up in CA deposits (+8% QoQ). The surge in SA deposits is attributed to healthy customer addition (85,000-90,000/month), increase in the avg. balance to Rs 60,000 (vs. Rs 40,000 earlier) and increasing government business (incremental contribution of Rs 10-12bn).

Strong Loan Growth Of ~24% YoY



Source: Company, HDFC sec Inst Research

Corporate Mix Remains Flat Sequentially



Source: Company, HDFC sec Inst Research

The CV proportion dipped 78bps QoQ to ~37.5%. The share of VF book dropped 1.2% sequentially to ~64.8%

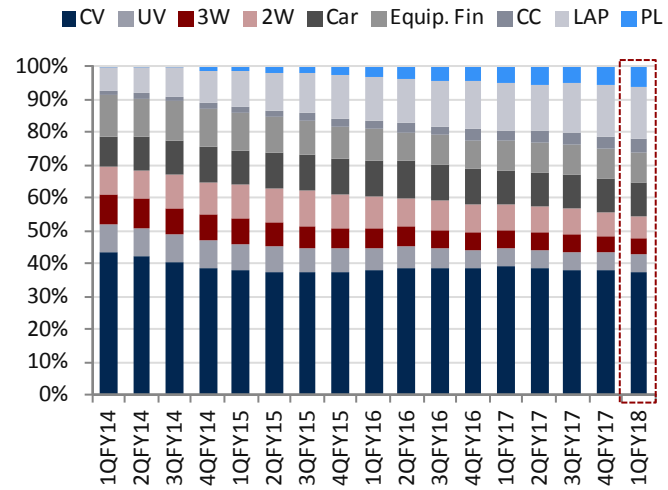
The share of CC, PL and LAP continues to increase

SA grew ~65/17% YoY/QoQ (after ~7% QoQ in 4Q). The strong growth is driven by customer addition of 85-90k/month and increase in avg balances to ~Rs 60k (vs. ~Rs 40k)

CA grew ~19/7% YoY/QoQ after falling ~7% QoQ for 2 consecutive quarters Growth was mainly due to addition of govt. accounts

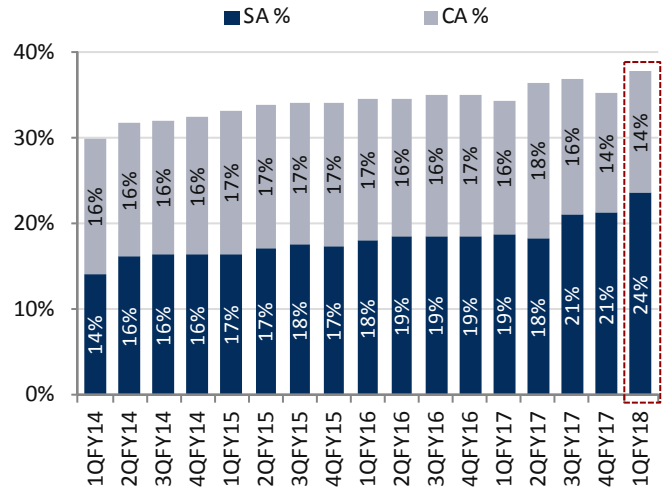
Margins were flat QoQ at 4%, largely due to a rise in yields (affected in 4Q due to interest reversals on the cement exposure)

CFD Mix: Non-Vehicle Share Picking Up



Source: Bank, HDFC sec Inst Research

CASA Ratio Jumps ~250bps QoQ To 37.8%



Source: Bank, HDFC sec Inst Research

Superior margins and fee performance

- Reported NIMs were flat QoQ at 4% cushioned with rise in yields (esp. corporate yields) despite the marginal rise in CoF. The uptick in yields was owing to no interest reversals as compared to 4QFY17 (cement exposure related)
- Margins could witness a further uptick, owing to a rising CASA proportion (falling CoF). As envisaged in PC-4, a rising proportion of high-yielding retail loans could benefit margins further, going forward. **We have factored in calc. NIMs of 4.1%, which provide an upside risk to our estimates.**
- Core fees grew ~25% YoY (3.4% of loans ann., one of the best in the industry) driven by strong growth across segments (except loan processing fees). Healthy growth was led by third-party distribution (+54% YoY), IB fees (+53% YoY) and trade and remittances (+20% YoY). **Non-interest income contributes ~40% to the total income, and remains one of the key drivers for superior RoA.**

We factor in calc. NIMs at 4.1% avg. over FY17-19E

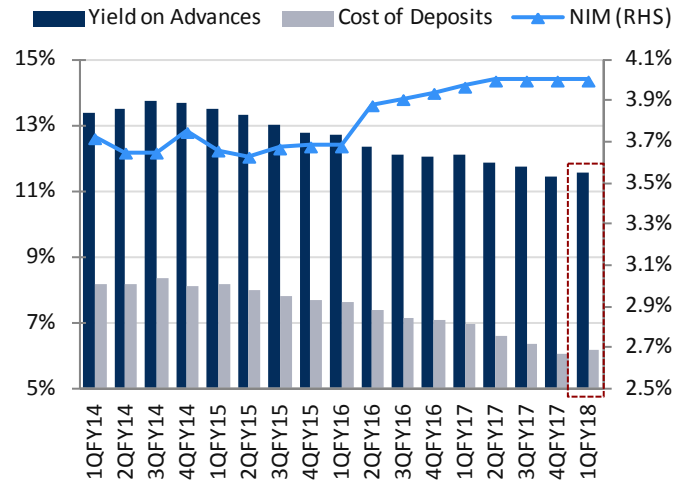
Core fees grew ~25% YoY (-2.3% QoQ), led by 3rd party distribution income (+54% YoY/QoQ), investment banking income (53% YoY) and remittances (+19% YoY)

Loan processing fees were lower ~19/9% QoQ/YoY

Treasury gains moderated QoQ to Rs1.93bn vs. Rs2.15bn

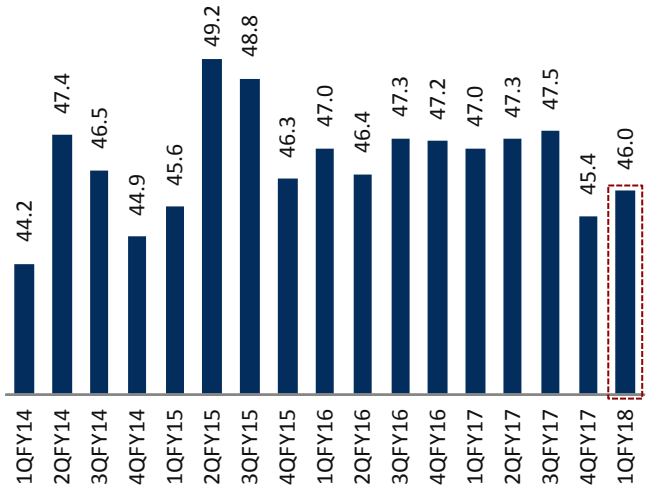
Total employees have remained stagnant over the past 2 quarters due to redeployment and focus on efficiency

NIM Strong At 4% (Flat QoQ)



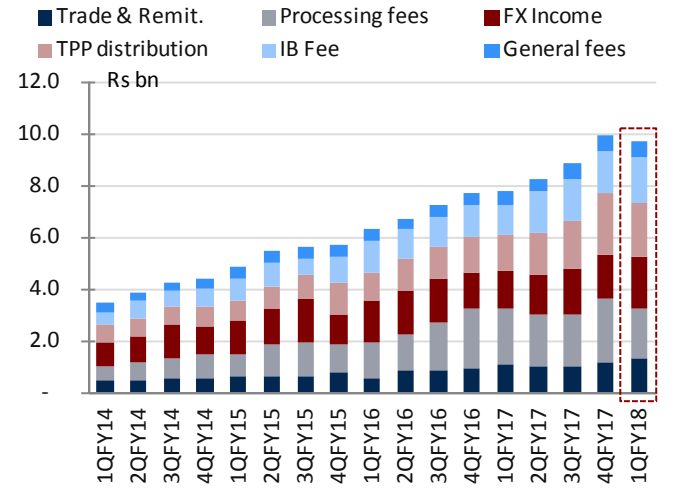
Source: Bank, HDFC sec Inst Research

C-I Ratio: Up A Mere 61bps QoQ



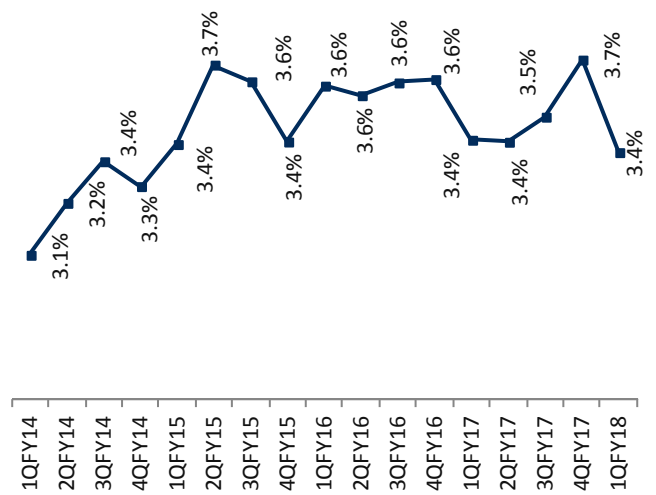
Source: Bank, HDFC sec Inst Research

Well-diversified Fee Income Stream



Source: Bank, HDFC sec Inst Research

Fee Inc. % Loans (Ann.) Dips Sequentially



Source: Bank, HDFC sec Inst Research

Slippages stood at Rs 6.1bn (2.12% ann. vs. 2.35% QoQ) led by CFD slippages of Rs 2.6bn (2.2% ann. vs. 1.6% QoQ)

Ccorporate slippages of Rs 3.5bn (2% vs. 2.8% QoQ) were due to relapse of Rs 2.2bn

The MFI book saw stress with GNPA's of ~Rs 310mn (Rs 280mn provided for); PAR stands is ~Rs 500mn

O/S SR stood at ~Rs 3.57bn (0.3%) stable QoQ

The restructured book dipped 20bps QoQ to a mere 17bps owing to a relapse of 2 exposures

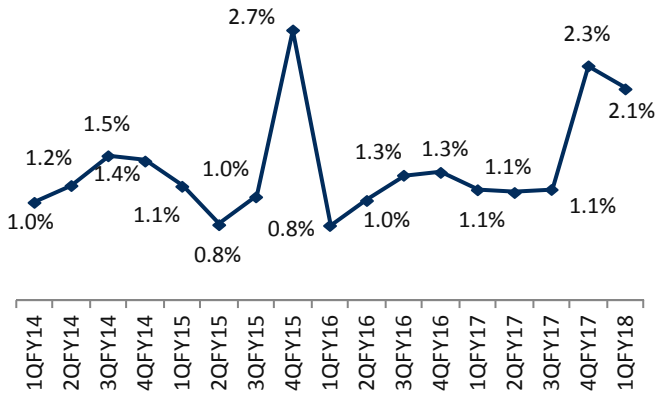
IIB has exposure of Rs 500mn in 3 ACs (of the 12 ACs mentioned by RBI) and the bank has 100% provisions in 2 of these

Sale to ARC during the quarter was ~Rs 570mn or which ~Rs 300-350mn were CV loans

Relapse and CFD drags asset quality performance

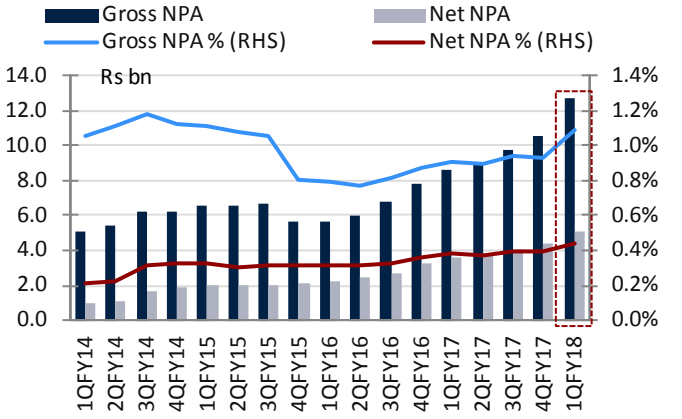
- Over the last couple of quarters, IIB's asset quality performance has been relatively weak. GNPAs jumped ~21% QoQ to Rs 12.7bn (1.09%), led by higher slippages of Rs 6.1bn (2.1% ann.) and lower reductions (Rs 3.9bn, -29% QoQ). The elevated slippages were driven by CFD slippages of Rs 2.6bn, (2.2% ann. vs. 1.6% QoQ) and relapse of Rs 2.2bn (corporate slippages at Rs 3.5bn, 2% ann. vs. 2.9% QoQ).
- Among the CFD segment, only 2W and CE reported lower GNPAs, while tractors, LAP/HL/PL and small CVs witnessed a gradual rise sequentially.
- While GNPAs inched up (16bps QoQ), overall gross stressed loans remain stable at ~126bps, with a dip in the restructured book (Rs 2bn, -53% QoQ; 17bps)
- **Though there is a rise in GNPAs (+21%), low exposure to stressed assets, diversified and granular book, a mere Rs 500mn exposure to the three ACs (of the twelve exposures identified by RBI) and smaller restructured book (17bps) provide comfort on asset quality. We have factored in slippages of avg. ~1.2% over FY17-19E.**

Slippages Driven By Corporate Segment



Source : Bank, HDFC sec Inst Research

Asset Quality Deteriorates Sequentilly



Source: Bank, HDFC sec Inst Research

Asset Quality Segment-Wise

Corp	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
GNPA	1.01%	1.00%	0.93%	0.58%	0.53%	0.54%	0.65%	0.74%	0.76%	0.73%	0.79%	0.81%	0.98%
Slippages (Ann.)	0.74%	0.04%	0.24%	3.27%	0.13%	0.66%	0.96%	0.85%	0.70%	0.51%	0.75%	2.87%	2.03%
LLP (Ann.)	0.48%	0.19%	0.55%	0.42%	0.38%	0.63%	0.66%	0.56%	0.48%	0.52%	0.51%	1.17%	0.63%

CFD	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
GNPA	1.25%	1.22%	1.23%	1.15%	1.15%	1.10%	1.08%	1.08%	1.14%	1.17%	1.16%	1.12%	1.25%
Slippages (Ann.)	1.66%	1.71%	2.11%	1.92%	1.64%	1.50%	1.68%	1.90%	1.69%	1.90%	1.63%	1.60%	2.18%
LLP(Ann.)	0.75%	0.69%	0.86%	0.68%	0.71%	0.65%	0.77%	0.88%	0.85%	0.79%	0.73%	0.62%	0.89%

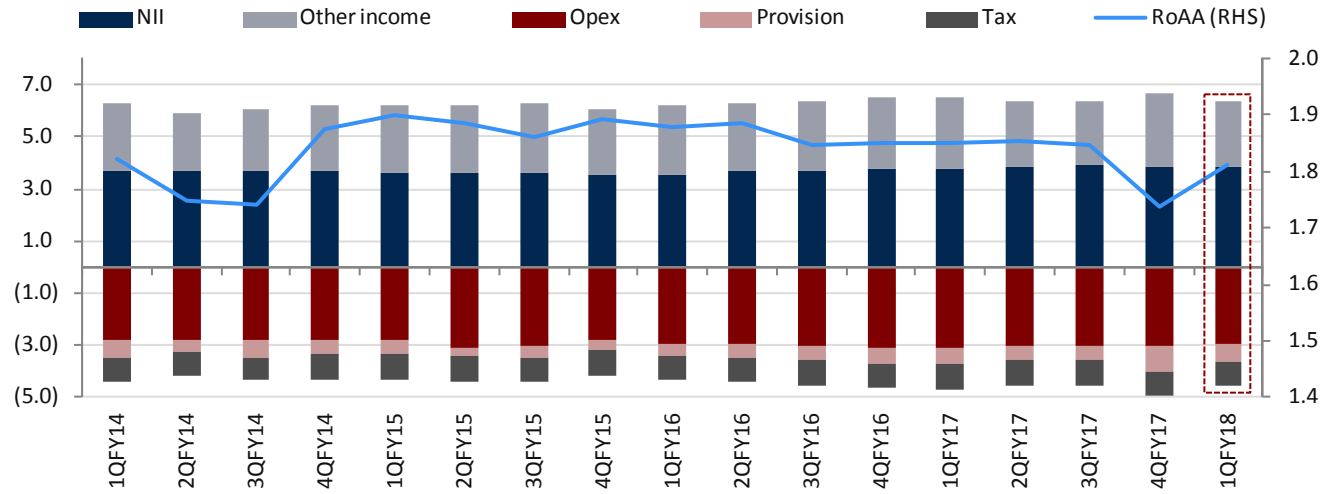
Source: Bank, HDFC sec Inst Research

Consumer Finance: GNPAs

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
CV	1.44%	1.50%	1.44%	1.27%	1.18%	1.10%	1.05%	1.03%	1.05%	1.03%	0.96%	0.94%	1.10%
UV	0.84%	0.77%	0.97%	1.08%	1.06%	1.03%	1.00%	1.22%	1.30%	1.18%	1.09%	1.14%	1.47%
CE	1.58%	1.59%	1.64%	1.44%	1.46%	1.57%	1.45%	1.31%	1.44%	1.45%	1.28%	1.23%	1.11%
3W/SCV s	0.82%	0.74%	0.90%	0.92%	1.04%	0.84%	0.81%	0.98%	1.10%	1.00%	0.86%	0.93%	1.35%
2Ws	2.49%	2.42%	2.36%	2.53%	2.65%	2.83%	2.95%	3.06%	3.20%	3.74%	3.78%	3.55%	3.62%
Cars	0.46%	0.38%	0.48%	0.56%	0.58%	0.41%	0.39%	0.52%	0.50%	0.50%	0.76%	0.67%	0.76%
LAP/PL/HL	0.47%	0.30%	0.32%	0.33%	0.48%	0.41%	0.57%	0.76%	0.92%	1.00%	1.15%	1.26%	1.46%
Cards	1.53%	1.53%	1.53%	1.24%	1.32%	1.35%	1.48%	1.54%	1.79%	1.80%	1.71%	1.43%	1.32%

Source: Bank, HDFC sec Inst Research

RoAA Improvement Led By Drop In Provisions



Source: Bank, HDFC sec Inst Research

Peer Valuation

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
KMB #	1,750	955	BUY	1,121	136	183	208	43.7	34.2	27.6	5.95	4.34	3.70	13.2	14.0	13.7	1.68	1.90	1.94
ICICIBC #	1,687	290	BUY	317	111	111	132	13.2	14.1	11.6	2.01	2.01	1.60	10.0	10.8	11.6	1.31	1.24	1.29
AXSB	1,216	508	NEU	507	197	217	255	33.1	21.0	13.0	2.58	2.34	1.99	6.8	10.0	14.6	0.65	0.89	1.24
IIB	**934**	**1,561**	**BUY**	**1,663**	**331**	**382**	**443**	**32.6**	**26.3**	**21.6**	**4.71**	**4.09**	**3.52**	**15.3**	**16.3**	**17.2**	**1.78**	**1.79**	**1.78**
FB	221	114	BUY	128	46	59	64	23.7	21.6	16.9	2.46	1.94	1.78	9.8	9.7	10.2	0.81	0.81	0.86
CUB	110	183	BUY	179	53	62	72	21.9	19.1	16.6	3.48	2.97	2.55	15.2	15.0	14.9	1.51	1.52	1.51
DCBB	59	192	BUY	221	64	79	88	27.4	22.9	17.9	3.00	2.43	2.17	10.8	10.8	11.1	0.93	0.96	1.01
SBIN #	2,203	284	BUY	348	109	126	152	13.5	11.6	9.3	1.62	1.41	1.16	6.8	6.7	7.9	0.42	0.43	0.49
BOB	375	162	BUY	220	88	121	157	27.1	12.4	8.2	1.83	1.34	1.03	3.8	7.9	11.1	0.20	0.42	0.59
Equitas	53	157	BUY	176	63	65	70	33.3	46.7	26.4	2.49	2.41	2.23	8.9	5.0	8.2	2.00	1.11	1.63
Ujjivan	38	322	NEU	354	147	159	175	15.8	23.6	17.5	2.19	2.03	1.84	16.4	8.9	10.9	2.92	1.79	2.01

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

Income Statement

(Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Interest Earned	96,920	118,717	144,057	181,223	227,096
Interest Expended	62,717	73,552	83,431	106,590	135,508
Net Interest Income	**34,203**	**45,166**	**60,626**	**74,633**	**91,587**
Other Income	**25,480**	**32,969**	**41,715**	**49,401**	**60,381**
Fee Income (CEB)	*16,926*	*22,315*	*28,953*	*35,858*	*45,364*
Treasury Income	*1,177*	*1,453*	*2,769*	*2,000*	*1,750*
Total Income	**59,683**	**78,135**	**102,341**	**124,034**	**151,968**
Total Operating Exp	**28,701**	**36,721**	**47,831**	**59,482**	**72,165**
Employee Expense	*9,805*	*12,361*	*15,210*	*18,708*	*22,721*
PPOP	**30,982**	**41,414**	**54,510**	**64,552**	**79,804**
Provisions & Contingencies	3,891	6,722	10,913	10,842	13,453
Prov. For NPAs (Incl. Std Prov.)	*3,389*	*5,015*	*7,048*	*8,570*	*10,711*
PBT	**27,092**	**34,693**	**43,597**	**53,710**	**66,351**
Provision for Tax	9,155	11,828	14,918	18,236	23,143
PAT	**17,937**	**22,864**	**28,679**	**35,474**	**43,208**

Source: Bank, HDFC sec Inst Research,

Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	5,295	5,950	5,981	5,981	5,981
Reserves	101,151	171,010	200,480	230,952	268,068
Shareholders' Funds	**106,445**	**176,960**	**206,461**	**236,934**	**274,049**
Savings	*129,436*	*172,462*	*270,372*	*365,904*	*484,760*
Current	*123,560*	*154,780*	*196,088*	*253,526*	*323,988*
Term Deposit	*488,348*	*602,761*	*799,262*	*963,986*	*1,172,623*
Total Deposits	**741,344**	**930,003**	**1,265,722**	**1,583,415**	**1,981,370**
Borrowings	206,181	249,959	224,537	254,314	308,003
Other Liabilities	63,904	72,048	89,764	98,753	108,911
Total Liabilities	**1,117,874**	**1,428,970**	**1,786,484**	**2,173,417**	**2,672,333**
APPLICATION OF FUNDS					
Cash & Bank Balance	107,791	101,119	186,283	184,844	190,142
Investments	228,783	340,543	367,021	454,619	561,124
G-Secs	*179,061*	*281,080*	*314,523*	*395,854*	*495,343*
Advances	687,882	884,193	1,130,805	1,430,468	1,809,798
Fixed Assets	11,576	12,553	13,352	14,020	14,721
Other Assets	81,841	90,561	89,023	89,465	96,548
Total Assets	**1,117,874**	**1,428,970**	**1,786,484**	**2,173,417**	**2,672,333**

Source: Bank, HDFC sec Inst Research,

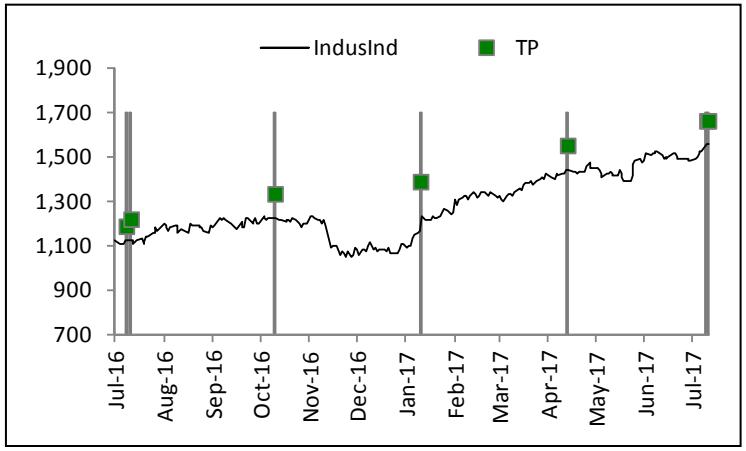
Key Ratios

	FY15	FY16	FY17	FY18E	FY19E
VALUATION RATIOS					
EPS (Rs)	33.9	38.4	47.9	59.3	72.2
Earnings Growth (%)	27.4	27.5	25.4	23.7	21.8
BVPS (Rs)	193.4	290.8	338.7	389.6	451.6
Adj. BVPS (Rs)	189.4	285.4	331.3	381.8	443.4
ROAA (%)	1.80	1.80	1.78	1.79	1.78
ROAE (%)	19.0	16.6	15.3	16.3	17.2
P/E (x)	46.0	40.6	32.5	26.3	21.6
P/ABV (x)	8.24	5.47	4.71	4.09	3.52
P/PPOP (x)	26.7	22.4	17.1	14.5	11.7
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6
PROFITABILITY					
Yield On Advances (%)	12.5	11.8	11.4	11.5	11.5
Yield On Investment (%)	7.1	7.3	7.0	6.9	6.9
Cost Of Funds (%)	7.4	6.9	6.2	6.4	6.6
Cost Of Deposits (%)	7.7	6.8	6.3	6.1	6.3
Core Spread (%)	4.8	4.9	5.1	5.3	5.2
NIM (%)	3.86	3.99	4.20	4.17	4.11
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.9	2.9	3.0	3.0	3.0
Cost-Income Ratio (Ex. Treasury)	49.1	47.9	48.0	48.7	48.0
BALANCE SHEET STRUCTURE					
Loan Growth (%)	24.8	28.5	27.9	26.5	26.5
Deposit Growth (%)	22.5	25.4	36.1	25.1	25.1
C/D Ratio (%)	92.8	95.1	89.3	90.3	91.3
Equity/Assets (%)	9.5	12.4	11.6	10.9	10.3
Equity/Advances (%)	15.5	20.0	18.3	16.6	15.1
CASA (%)	34.1	35.2	36.9	39.1	40.8
Capital Adequacy Ratio (CAR, %)	12.1	15.5	15.3	13.5	12.6
W/w Tier I CAR (%)	*11.2*	*14.9*	*14.7*	*13.1*	*12.3*

	FY15	FY16	FY17	FY18E	FY19E
ASSET QUALITY					
Gross NPLs (Rs mn)	5,629	7,768	10,549	13,258	16,496
Net NPLs (Rs mn)	2,105	3,218	4,389	4,688	4,927
Gross NPLs (%)	0.81	0.88	0.93	0.93	0.91
Net NPLs (%)	0.31	0.36	0.39	0.33	0.27
Slippages (%)	1.43	1.08	1.42	1.20	1.10
Coverage Ratio (%)	62.6	58.6	58.4	64.6	70.1
Provision/Avg. Loans (%)	0.5	0.6	0.7	0.7	0.7
ROAA TREE					
Net Interest Income	3.44%	3.55%	3.77%	3.77%	3.78%
Non Interest Income	2.56%	2.59%	2.59%	2.50%	2.49%
Treasury Income	*0.12%*	*0.11%*	*0.17%*	*0.10%*	*0.07%*
Operating Cost	2.89%	2.88%	2.98%	3.00%	2.98%
Provisions	0.39%	0.53%	0.68%	0.55%	0.56%
Provisions for NPAs	*0.34%*	*0.39%*	*0.44%*	*0.43%*	*0.44%*
Tax	0.92%	0.93%	0.93%	0.92%	0.96%
ROAA	1.80%	1.80%	1.78%	1.79%	1.78%
Leverage (x)	10.5	9.2	8.6	9.1	9.6
ROAE	19.01%	16.60%	15.27%	16.29%	17.17%

Source: Bank, HDFC sec Inst Research,

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
8-Jul-16	1,108	BUY	1,188
12-Jul-16	1,124	BUY	1,220
13-Oct-16	1,222	BUY	1,334
11-Jan-17	1,161	BUY	1,389
13-Apr-17	1,438	BUY	1,552
10-Jul-17	1,524	BUY	1,663
12-Jul-17	1,561	BUY	1,663

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

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