

INDUSIND BANK ACCUMULATE

12-Jan-18

INDUSTRY **BANKING**
BLOOMBERG **IIB IN**
BSE Code - **532187**
NSE Code - **INDUSINDBK**
NIFTY - **10651**

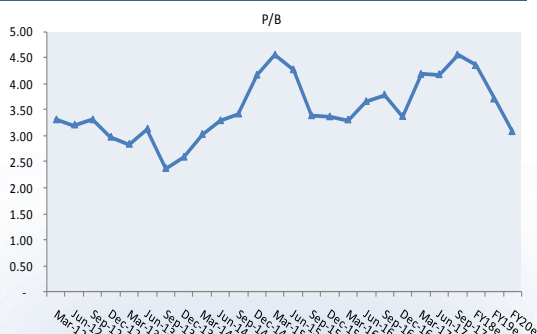
Company Data

CMP	1698
Target Price	1869
Previous Target Price	1928
Upside	10%
Change from Previous	-3%
52wk Range H/L	1818/1186
Mkt Capital (Rs Cr)	101872
Av. Volume (,000)	149

Share Holding Pattern %

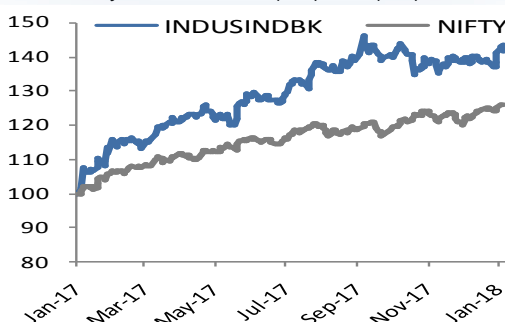
	2QFY18	1QFY18	4QFY17
Promoters	16.8	16.8	16.8
DII	14.1	14.2	13.3
FII	48.3	48.3	48.6
Others	20.9	20.7	21.3

INDUSINDBK is trading at its higher range of P/B on FY19e.



Stock Performance %

	1Mn	3Mn	1Yr
Absolute	3.0	(2.5)	37.7
Rel.to Nifty	(0.9)	(8.0)	8.5



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IIB- Near Term Uncertainty, Healthier in Long Run.

Key Highlights of the report:

- continuously gaining market share with above industry loan growth of 25%. Assets Quality continues to remain one of the best in the industry with GNPA at 1.16%.
- Expected merger with micro finance Bharat Financial Inclusion Ltd will provide impetus to margin and growth to consumer finance division. IIB will be able to tap 6.8 million customer base of BHARATFIN by selling liability and fee product.
- Though the yield pressure continues to persist further, however healthy CASA ratio at 43% will provide cushion to margin.
- We reduce our target price by 3% to Rs 1869 on 4.1x BVPS FY19e and recommend ACCUMULATE.**

Financials/Valuation

	FY16	FY17	FY18E	FY19E	FY20E
NII	4517	6063	7573	9805	12293
PPP	4141	5451	6714	8547	10855
PAT	2286	2868	3639	4686	6278
NIM %	3.6	3.8	3.8	4.0	4.1
EPS (Rs)	38	48	61	78	105
EPS growth (%)	13.4	24.8	26.5	28.8	34.0
ROE (%)	16.2	15.0	16.6	18.5	20.8
ROA (%)	1.8	1.8	1.8	1.9	2.1
BV	297	345	388	456	548
P/B (X)	3.2	4.1	4.4	3.7	3.1
P/E (x)	25.1	29.7	28.0	21.7	16.2

Recent Development : Key Highlights of Result Update

- ✓ Sudden spike in bond yield led the decline in treasury gain. Sequential 37% decline in Securities/MM/FX Trading/others income led the other income growth to lowest of 17% in last 4 years.
- ✓ Advances grew by 25% YoY backed by strong corporate loan growth of 26%. Consumer loan portfolio grew by 24% YoY.
- ✓ CASA ratio has reached to 43% against 42% in previous quarter on the back of healthy saving deposits which registered 68% YoY growth.
- ✓ Despite aggressive branch addition, opex grew by 15% and C/I ratio remained flat at 46% sequentially.
- ✓ Capital ratio remained healthy with core tier I at 14.1% which increased by 30 bps sequentially on the back of lower growth in RWA than balance sheet growth.
- ✓ Assets quality takes marginal dip with GNPA at 1.16% against 1.08% sequentially.

Quarterly Performance

Financials	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY %	QoQ%	FY16	FY17	YoY %
Interest Inc.	3,699	3,830	4,136	4,208	4,287	15.9%	1.9%	11,581	14,406	24.4%
Interest Exp.	2,121	2,163	2,361	2,387	2,392	12.8%	0.2%	7,064	8,343	18.1%
NII	1,578	1,667	1,774	1,821	1,895	20.0%	4.1%	4,517	6,063	34.2%
Other Income	1,017	1,211	1,167	1,188	1,187	16.7%	-0.1%	3,297	4,171	26.5%
Total Income	2,595	2,879	2,941	3,009	3,082	18.7%	2.4%	7,814	10,234	31.0%
Ope Exp.	1,232	1,307	1,353	1,375	1,417	15.0%	3.0%	3,672	4,783	30.3%
PPP	1,363	1,572	1,589	1,634	1,665	22.1%	1.9%	4,141	5,451	31.6%
Provisions	217	430	310	294	236	8.9%	-19.6%	672	1,091	62.4%
PBT	1,146	1,142	1,279	1,340	1,429	24.6%	6.6%	3,469	4,360	25.7%
Tax	396	390	442	460	492	24.4%	7.1%	1,183	1,492	26.1%
Net Profit	751	752	837	880	936	24.7%	6.4%	2,286	2,868	25.4%

Impact on other income due to lower treasury gain.

Stable Operating Performance.

- ✓ Indusind Bank reported stable 3Q FY18 numbers. Earnings growth was in line with our expectation. Net interest income grew by 20% YoY led by healthy loan growth and stable margin.
- ✓ Other income grew by 17% YoY however remained flat on sequential basis due to lower treasury gain during the quarter. Impacted by bond yield other income growth has been lowest in last 4 years. However fee income growth was steady at 22% growth.
- ✓ Operating expenses grew by 15% YoY which led the cost to income ratio decline to 46% against 47.5% a year back. Despite continuous branch expansion opex has remained under strict control which is trending C/I ratio to decline.
- ✓ Operating profit grew by 22% YoY which is the lowest in last 11 quarter.
- ✓ Provisions during the quarter grew by 9% YoY but on sequential basis it declined by 20% despite the marginal blip in assets quality. Lower provisions had offset the lower net income growth, thus PAT grew by 25% YoY.

Profitability Metrix	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY %
C/I Ratio %	47.5	45.4	46.0	45.7	46.0	-1.49	0.27	50.4	60.9	10.57
Empl. Cost/ Tot. Exp. %	32.0	30.2	31.2	32.4	32.5	0.48	0.10	33.7	31.8	-1.86
Other Exp/Tot. Exp. %	68.0	69.8	68.8	67.6	67.5	-0.48	-0.10	66.3	68.2	1.86
Provision/PPP %	15.9	27.4	19.5	18.0	14.2	-1.72	-3.80	16.2	20.0	3.79
Tax Rate %	34.5	34.2	34.6	34.3	34.5	-0.07	0.15	34.1	34.2	0.12
Int Exp./Int Inc. (%)	57.3	56.5	57.1	56.7	55.8	-1.53	-0.93	61.0	57.9	-3.08
Other Inc./Net Inc. %	39.2	42.1	39.7	39.5	38.5	-0.67	-0.96	42.2	40.8	-1.43
PAT/ Net Income %	28.9	26.1	28.4	29.3	30.4	1.46	1.13	29.3	28.0	-1.24
PAT Growth %	29.2	21.2	26.5	25.0	24.7	-4.47	-0.24	27.5	25.4	-2.04
NII Growth % (YoY)	34.5	31.5	30.8	24.7	20.0	-14.47	-4.65	32.1	34.2	2.18
Op. Profit Gr. YoY %	28.5	36.6	28.8	27.5	22.1	-6.39	-5.35	33.7	31.6	-2.05
RoE %	15.7	15.1	16.2	16.5	17.0	1.24	0.48	16.6	15.3	-1.33
RoA %	1.9	1.7	1.9	1.9	2.0	0.08	0.06	1.9	2.0	0.03

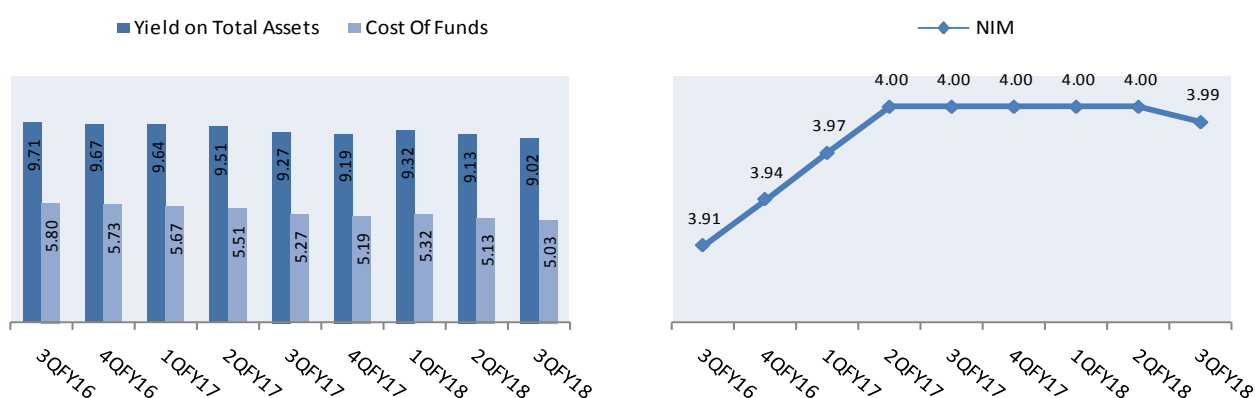
Strict control over opex, C/I ratio trending downwards.

NIM remained Stable; Scope of improvement limited.

- ✓ NIM remained flat at 4% YoY as well as sequentially. Yield remained under pressure but healthy CASA growth since last 5 quarters has helped IIB to offset yield pressure by declining cost of deposits.
- ✓ Yield on advances declined by 69 bps YoY to 11.04% while yield on total assets declined by 25 bps to 9.02%.
- ✓ Corporate yield declined by 80 bps whereas consumer loan yield fell by just 49 bps YoY.
- ✓ On the other hand cost of deposit fell by 42 bps and total cost of fund declined by 24 bps. Decline of cost of deposits was supported by healthy CASA growth.
- ✓ While yields will remain under pressure due to MCLR, pricing pressure in certain pocket, hardening bond yield and focus on higher rated corporate client but healthy CASA traction will offset the

Margin Performance

Margin %	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY %
Yield on Advances	11.7	11.4	11.5	11.3	11.0	-0.69	-0.23	11.8	11.4	-0.37
Yield (Corp. Loan)	9.8	9.1	9.5	9.1	9.0	-0.8	-0.17	10.1	9.8	-0.39
Yield (Ret. Loans)	14.5	14.5	14.5	14.4	14.0	-0.49	-0.32	15.3	14.6	-0.72
Yield (Total Assets)	9.3	9.2	9.3	9.1	9.0	-0.25	-0.11	9.8	9.6	-0.18
Cost of Deposits	6.4	6.1	6.2	5.9	5.9	-0.42	0.03	6.8	6.3	-0.52
Cost Of Funds	5.3	5.2	5.3	5.1	5.0	-0.24	-0.1	6.5	6.1	-0.39
NIM	4.0	4.0	4.0	4.0	4.0	-0.01	-0.01	3.8	4.1	0.23



Healthy loan book growth continues.

- ✓ Advances grew by 25% YoY backed by strong corporate loan growth of 26%. Consumer loan portfolio grew by 24% YoY.
- ✓ Corporate loan book grew by 26% YoY due to gaining market share from its PSU bank peers. Corporate loan book continues to remain healthy since last few quarters as management is focus on acquiring higher rated client from its PSU peers as they are grappling with capital issue and assets quality. Under the corporate book large corporate grew by 30%, mid corporate grew by 22% and small corporate grew by 24% YoY.
- ✓ Under the consumer finance division, vehicle finance growth picked up to 19% YoY whereas non-vehicle book grew by strong rate of 34% YoY backed by 55% growth in credit card, 29% growth in equipment finance and 22% YoY growth in LAP book.
- ✓ Under vehicle finance, tractor registered strong growth of 55% (low base effect). CV registers healthy 23% growth where as small CV and two wheelers registered only 4% and 5 % growth respectively. We expect vehicle loan growth to remain strong in coming quarters.

Healthy traction in CASA ratio.

- ✓ Deposits grew by 23% YoY while CASA continues to be robust with 42% YoY growth crossing the planning cycle 4 target CASA ratio of 40%. Management is considering increasing the CASA target to 45% from 40% under Planning Cycle 4.
- ✓ CASA ratio has reached to 43% against 42% in previous quarter on the back of healthy saving deposits which registered 68% YoY growth. We believe saving deposits growth was backed by maturing of branches and acquiring government businesses.

Slippages remained elevated, divergence issue a key concern.

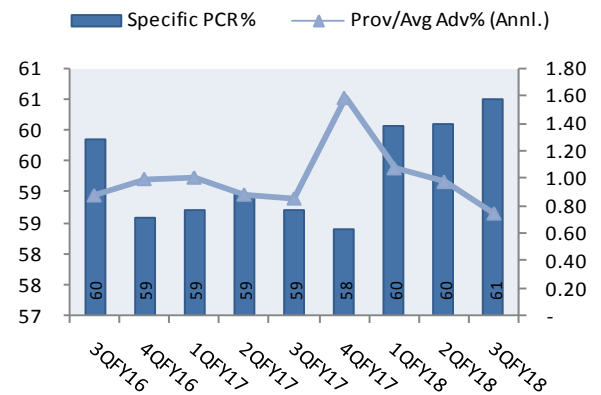
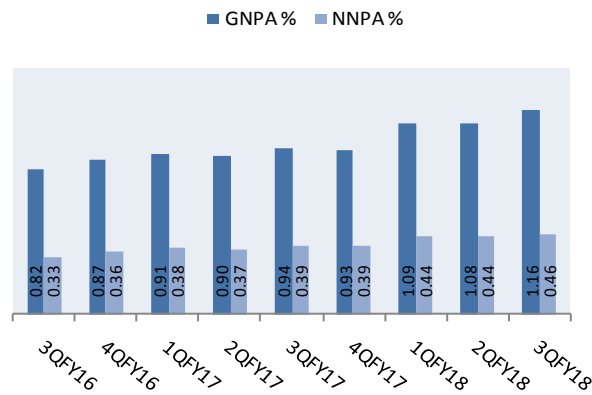
- ✓ Assets quality deteriorated marginally on sequential basis with GNPA at 1.16% against 1.08% and NNPA was at 0.46% against 0.44%
- ✓ Slippages declined 18% QoQ, however remained at elevated level. Corporate slippages declined by 50% QoQ while consumer slippages increased by 25% YoY.
- ✓ Restructured book stands at 15 bps of the advances where as Security receipt is Rs 440 Cr.
- ✓ Gross credit cost during the quarter was 15 bps and PCR is at 60%.
- ✓ Management highlighted that RBI concluded the audit of divergence related accounts during the end of December. Audit reported has not been submitted yet; however it is expected to come during 4Q FY18. Indusind Bank has been robust in assets quality among its peers but audit report will be key monitor able.

Assets Quality (Rs in Cr)

	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY %
GNPA (Rs)	971	1,055	1,272	1,346	1,499	54.4%	11.4%	777	1,055	35.8%
GNPA %	0.9	0.9	1.1	1.1	1.2	0.22	0.08	0.9	0.9	0.06
NNPA (Rs)	401	439	508	537	592	47.6%	10.2%	322	439	36.4%
NNPA %	0.4	0.4	0.4	0.4	0.5	0.07	0.02	0.4	0.4	0.03
Slippages (Rs)	281	634	608	498	408	45.2%	-18.1%	848	1,429	68.5%
Restructured Assets %	0.4	0.4	0.2	0.2	0.2	-0.26	-0.01	0.5	0.4	-0.16
Net Stress Assets	825	860	707	735	786	-4.7%	6.9%	471	421	-10.7%
Specific PCR %	58.7	58.4	60.1	60.1	60.5	1.80	0.40	58.6	58.4	-0.20

GNPA Composition – Consumer Finance %

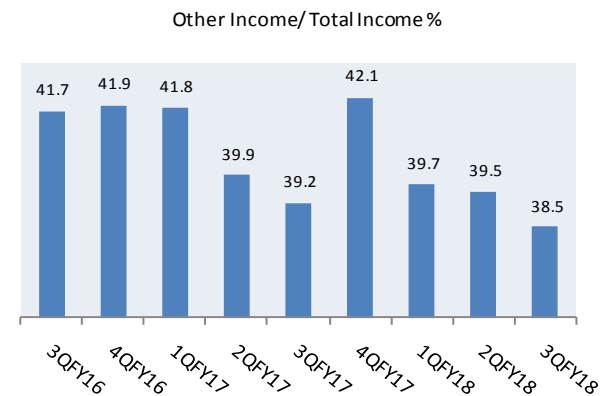
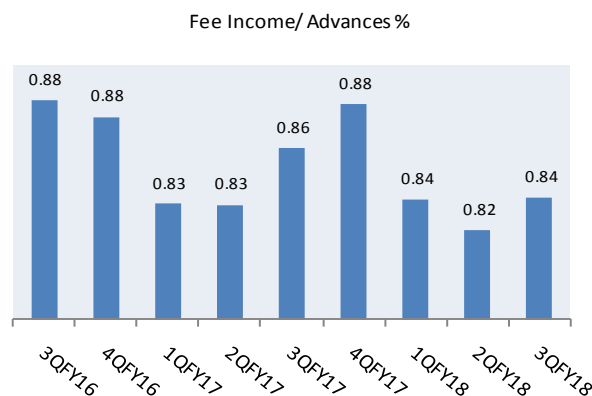
	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY %
Commercial Vehicle	1.0	1.0	1.1	1.0	0.9	-0.09	-0.09	1.0	1.0	-0.03
Utility	1.1	1.1	1.4	1.4	1.3	0.18	-0.12	1.2	1.1	-0.09
Construction Equipment	1.2	1.2	1.1	1.0	1.1	-0.18	0.09	1.3	1.2	-0.08
Small CV	0.8	0.9	1.3	1.1	1.2	0.39	0.12	1.0	0.9	-0.08
TW	3.6	3.5	3.6	3.6	3.8	0.18	0.23	3.0	3.5	0.5
Cars	0.8	0.7	0.7	0.7	0.6	-0.13	-0.06	0.5	0.7	0.16
LAP/HL/PL	0.8	0.9	1.0	0.4	0.6	-0.25	0.19	0.7	0.9	0.22
Tractor	0.3	0.4	0.9	1.1	1.2	0.87	0.09	-	0.4	0.37
Cards	1.6	1.3	1.2	1.5	1.7	0.03	0.17	1.5	1.3	-0.11
Total	1.2	1.1	1.3	1.2	1.1	-0.06	-0.09	1.1	1.1	0.04



Other Highlights

- ✓ Capital consumption of 55 bps was higher due to strong corporate loan growth. RWA to total assets increased to 80% against 76% a quarter back.
- ✓ Fee income grew by 22% contributed by all segment. Distribution fees remained healthy with 41% growth, loan processing picked up well at 24% growth while investment banking registered moderate growth of 13% YoY.
- ✓ Trading/treasury gain declined by 17% YoY due to sudden spike in bond yield.

Other Income Break Up	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY(+/-)
Trade and Remit.	106	121	131	128	127	19.7%	-0.8%	323	439	36.0%
Foreign Exchange Income	179	170	198	183	202	12.7%	10.4%	639	656	2.6%
Distribution Fees	181	241	210	237	256	41.2%	8.0%	491	715	45.7%
General Banking Fees	64	63	64	65	70	9.9%	7.7%	185	232	25.3%
Loan Processing fees	195	243	196	214	242	24.3%	13.1%	663	854	28.9%
Investment Banking	160	159	175	186	180	12.6%	-3.2%	472	594	25.8%
Total Fee-Based In.	885	997	974	1,013	1,077	21.7%	6.3%	2,772	3,489	25.9%
Securities/MM/FX	132	215	193	175	110	-16.6%	-37.1%	487	683	40.1%
Total Other Income	1,017	1,212	1,167	1,188	1,187	16.7%	-0.1%	3,260	4,172	28.0%



View and Valuation

Core operating profitability of Indusind Bank remains stable with superior loan growth and granularity in fee income. Despite the tumultuous regulatory and macro environment, operating profitability has remained healthy.

Forté of the management to execute its planning cycle strategically has led the IIB to one of the consistent performers in growth and profitability parameter with one of the best assets quality among peers.

In its 4th Planning Cycle (2017-2020), management has planned to remain focus on growth and diversification of its balance sheet. Management has guided for strong loan growth of 25%-30% with sustainable healthy CASA ratio at 40%. Branch network will reach to 2000 by 2020 while doubling the customer base.

Synergy to accrue from inorganic growth- In the latest development Indusind Bank is all set to acquire micro finance Bharat Financial Inclusion Ltd. Merger will give impetus to consumer finance division which management is focusing on to increase the mix in book. We believe this merger will provide required cushion to margin. However we have not factored the merger scenario in our estimates as the deal is in the process of regulatory approval.

Management has been consistently focusing on consumer finance division (CFD) with increasing the share of non-vehicle loan while corporate loan growth has remained strong due to market share gain. Recently auto sales growth in the economy has remained healthy, IIB being one of the major vehicle financiers. We expect vehicle finance division to continue to report healthy growth going forward. We expect IIB to report 24% CAGR loan growth over FY17 to FY20 on the back of increasing demand in CFD and gaining market share in corporate loan from PSU peers.

CASA has shown tremendous growth from last few quarters as the growth has been mostly supported by maturing of branches (70% of branches are 2 year old), acquiring Government businesses and capital market businesses, thus surpassing the management guidance of CASA to reach 40% in planning cycle 4. Yields have been under pressure but robust CASA ratio is continuously supporting the margins. Change in loan mix towards consumer finance division will also provide some cushion to margin. However recent hardening of bond yield has limited the scope of improvement in NIM in near term.

Sudden hardening of bond yield by 80 bps has limited the treasury gain. Factoring this in our estimate of treasury gain, we reduce PAT estimate for FY18 and FY19 by 1% and 2% respectively. Audit by RBI on divergence of assets quality report is expected to come during 4Q FY18 results.

Considering impact on treasury gain, limited scope of margin improvement and uncertainty over divergence related assets quality hangover in near term, we reduce our target price by 3% to Rs 1869 on 4.1x BVPS FY19e and recommend ACCUMULATE.

Concall Highlights :

- ✓ Added 3 Lakh customers in saving and current account of the bank during the quarter.
- ✓ Disbursement in vehicle finance book grew by 34% YoY. Commercial vehicle disbursement grew by 39% YoY.
- ✓ Power generation loan book share increases during the quarter because of one account which is guaranteed by International Bank.
- ✓ Management is seeing recovery in working capital demand.
- ✓ SMA 2 data is well below 1% of the book.
- ✓ RBI report on divergence is awaited. RBI has audited at December end and report will come in 4Q somewhere.
- ✓ Under MFI book there has been 99.8% recovery rate in the loans generated from January 2017. There has been some good recovery in earlier NPA account also.

DuPont Analysis : IIB with superior return ratios

	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Interest Income	10.7	10.3	9.7	9.2	9.0	8.6	8.6	8.7
Interest expended	7.3	6.7	6.3	5.6	5.2	4.8	4.6	4.6
Net Interest Income	3.4	3.6	3.4	3.6	3.8	3.8	4.0	4.1
Non-Fund Based Income	2.1	2.4	2.4	2.6	2.6	2.4	2.4	2.4
>> Core Fee Income	1.9	2.0	2.1	2.2	2.2	2.1	2.1	2.1
>> Trading and Other Income	0.2	0.4	0.3	0.4	0.4	0.3	0.3	0.3
Core Operating Income	5.3	5.6	5.5	5.8	6.0	5.9	6.1	6.2
Total Income	5.5	6.0	5.9	6.2	6.4	6.2	6.4	6.5
Total Operating Expenses	2.7	2.7	2.7	2.9	3.0	2.9	2.9	2.8
>> Employee Expenses	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.8
>> Other Expenses	1.7	1.7	1.8	1.9	2.0	2.0	2.0	2.0
Operating Profit	2.8	3.2	3.1	3.3	3.4	3.4	3.5	3.6
Provisions	0.4	0.6	0.4	0.5	0.7	0.6	0.5	0.4
Others	-	-	-	-	-	-	-	-
PBT	2.4	2.7	2.7	2.8	2.7	2.8	2.9	3.2
Tax	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.1
PAT/RoA	1.6	1.8	1.8	1.8	1.8	1.8	1.9	2.1
>> Equity Multiplier (x)	10.6	9.6	10.1	8.9	8.3	9.1	9.7	10.0
RoE	17.2	16.9	18.2	16.2	15.0	16.6	18.5	20.8

Advances Performance

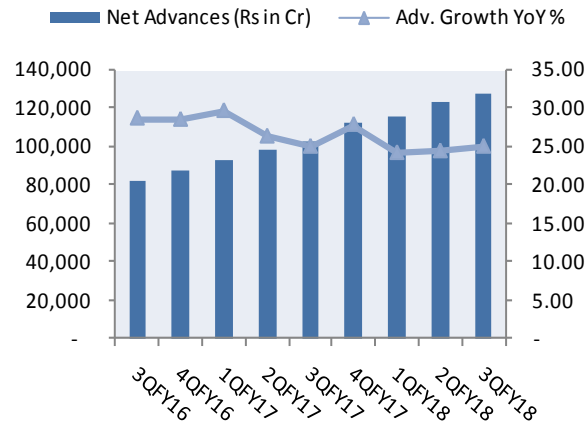
	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18
Net Advances (Rs in Cr)	82,167	88,419	93,678	98,949	1,02,770	1,13,081	1,16,407	1,23,181	1,28,542
Adv. Growth YoY %	28.7	28.5	29.7	26.4	25.1	27.9	24.3	24.5	25.1
>> Growth QoQ %	4.9	7.6	5.9	5.6	3.9	10.0	2.9	5.8	4.4
Sectoral Breakup %									
Corporate Banking%	58.3	58.7	58.8	59.0	58.3	59.7	59.5	59.8	58.7
Consumer Finance%	41.7	41.3	41.2	41.0	41.7	40.3	40.5	40.2	41.3

Deposits Performance

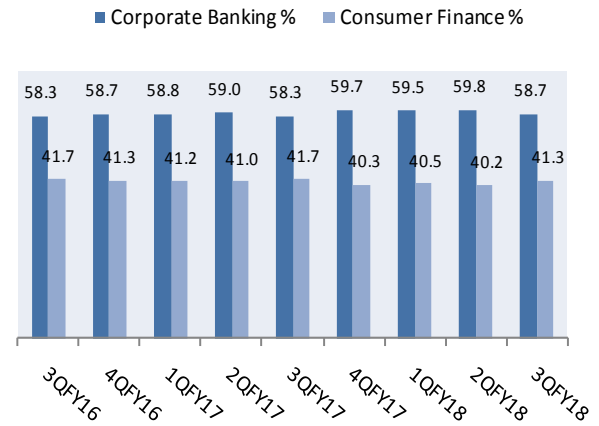
	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18
Deposits (Rs in Cr)	86,423	93,000	1,01,768	1,12,313	1,19,218	1,26,572	1,33,673	1,41,441	1,46,086
>> Growth YoY %	24.6	25.4	31.0	38.9	37.9	36.1	31.4	25.9	22.5
>> Growth QoQ %	6.9	7.6	9.4	10.4	6.1	6.2	5.6	5.8	3.3
CASA (Rs)	30,232	32,724	35,043	41,034	44,162	46,646	50,501	59,775	62,615
>>CASA Growth YoY %	27.9	29.3	30.1	46.1	46.1	42.5	44.1	45.7	41.8
>> Growth QoQ %	7.6	8.2	7.1	17.1	7.6	5.6	8.3	18.4	4.8
CASA %	35.0	35.2	34.4	36.5	37.0	36.9	37.8	42.3	42.9
CA %	16.3	16.6	15.7	18.2	15.9	15.5	14.2	13.9	13.9
SA %	18.7	18.5	18.8	18.3	21.1	21.4	23.6	28.4	28.9
Credit Deposit Ratio	95.1	95.1	92.1	88.1	86.2	89.3	87.1	87.1	88.0

INDUSIND BANK

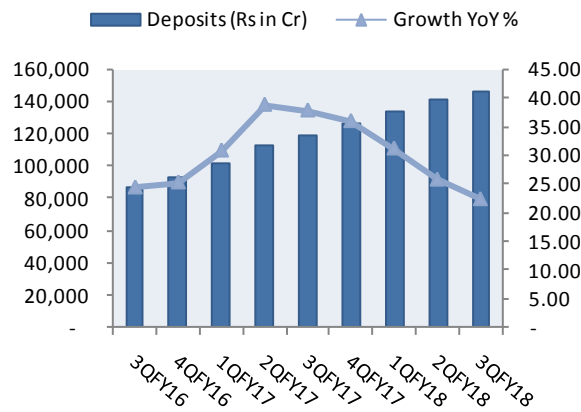
Stable Advances growth in last 5 qtrs



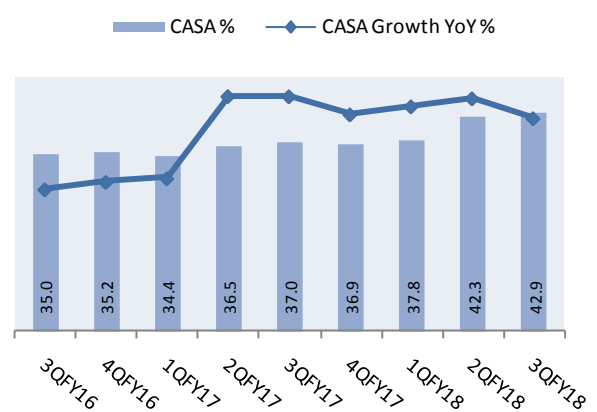
Loan mix remain balanced



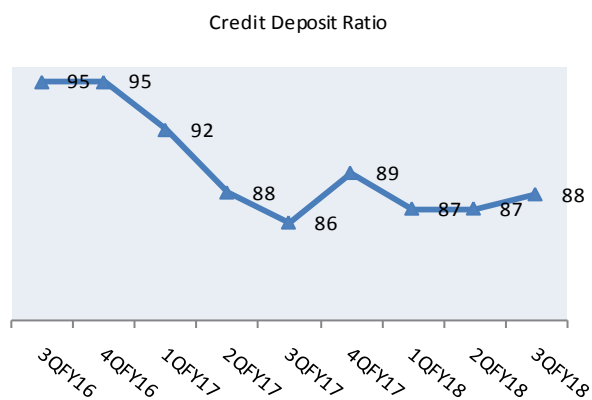
Healthy deposit growth



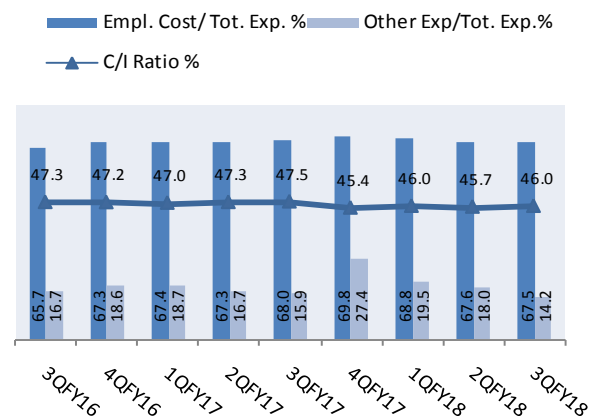
Healthier CASA Ratio



Improving CD Ratio



Gradual improvement in C/I Ratio



Financials Snap Shot

Balance Sheet

Rs in Crores

Y/E March	FY17	FY18E	FY19E	FY20E
Share Capital	598	600	600	600
>> <i>Equity Capital</i>	598	600	600	600
>> <i>Preference Capital</i>	-	-	-	-
Reserves & Surplus	20,048	22,717	26,754	32,312
Networth	20,631	23,301	27,339	32,897
Deposits	1,26,572	1,58,821	1,94,163	2,38,820
Change (%)	36.1	25.5	22.3	23.0
>> <i>CASA Deposits</i>	46,646	68,293	85,432	1,07,469
Change (%)	42.5437	46.4	25.1	25.8
Borrowings	22,454	27,405	35,241	43,346
Other Liabilities & Provisions	8,976	10,107	12,356	15,198
Total Liabilities	1,78,648	2,19,649	2,69,114	3,30,276
Cash & Bank	18,628	17,632	18,666	22,490
Investments	36,702	47,646	58,249	71,646
Change (%)	17.58185	29.8	22.3	23.0
Advances	1,13,081	1,41,351	1,76,688	2,17,327
Change (%)	27.8922	25.0	25.0	23.0
Fixed Assets	1,335	1,402	1,472	1,546
Other Assets	8,902	11,618	14,038	17,267
Total Assets	1,78,648	2,19,649	2,69,114	3,30,276

Income Statement

Rs in Crores

Y/E March	FY17	FY18E	FY19E	FY20E
Interest income	14,406	17,164	20,930	25,934
Interest expended	8,343	9,591	11,125	13,641
Net Interest Income	6,063	7,573	9,805	12,293
Change (%)	34.2	24.9	29.5	25.4
Other Income	4,171	4,856	5,859	7,091
Change (%)	26.52573	16.4	20.7	21.0
>> <i>Core Fee Income</i>	3,489	4,265	5,173	6,303
>> <i>Treasury Income</i>	683	591	686	788
>> <i>Others</i>	(1)	(0)	-	-
Total Net Income	10,234	12,429	15,664	19,383
Operating Expenses	4,783	5,714	7,118	8,529
Change (%)	30.25462	19.5	24.6	19.8
>> <i>Employee Expenses</i>	1,521	1,810	2,163	2,520
Pre-provisioning Profit	5,451	6,714	8,547	10,855
Change (%)	31.62165	23.2	27.3	27.0
Provisions	1,091	1,150	1,338	1,343
Change (%)	62.36164	5.4	16.3	0.4
PBT	4,360	5,564	7,209	9,511
Tax	1,492	1,925	2,523	3,234
Profit After Tax	2,868	3,639	4,686	6,278
Change (%)	25.42962	26.9	28.8	34.0

Key Ratios & Assumptions

Y/E March	FY17	FY18E	FY19E	FY20E
Balance Sheet Metrics				
Loan Growth (%)	27.9	25.0	25.0	23.0
Deposit Growth (%)	36.1	25.5	22.3	23.0
C/D Ratio (%)	89.3	89.0	91.0	91.0
CASA (%)	36.9	43.0	44.0	45.0
Investment/Deposit (%)	29.0	30.0	30.0	30.0
CRAR (%)	15.3	15.0	14.4	14.1
>> <i>Tier 1 (%)</i>	14.7	13.3	12.7	12.5
>> <i>Tier 2 (%)</i>	0.6	0.5	0.4	0.4

Assets Quality Metrics

Gross NPA	1,055	1,622	2,071	2,535
Gross NAP (%)	0.93	1.14	1.17	1.16
Net NPA	439	633	745	862
Net NPA (%)	0.39	0.45	0.42	0.40
Slippages (%)	1.26	1.35	1.01	0.85
Provision Coverage (%)	58.4	61.0	64.0	66.0
Provision/Average Advances (%)	1.08	0.90	0.84	0.68

Margin Metrics

Yield On Advances (%)	11.4	10.8	10.5	10.5
Yield On Investment (%)	7.3	7.2	7.1	7.2
Yield on Earning Assets (%)	9.6	9.2	9.1	9.1
Cost Of Deposits (%)	6.3	5.6	5.3	5.2
Cost Of Funds (%)	6.1	5.5	5.2	5.2
Spread (%)	3.5	3.6	3.9	3.9
NIM (%)	3.8	3.8	4.0	4.1

Profitability & Efficiency Metrics

Int. Expense/Int. Income (%)	57.9	55.9	53.2	52.6
Fee Income/NII (%)	57.6	56.3	52.8	51.3
Cost to Income (%)	46.7	46.0	45.4	44.0
Cost on Average Assets (%)	3.2	3.1	3.1	3.0
Tax Rate (%)	34.2	34.6	35.0	34.0

Valuation Ratio Metrics

EPS (Rs)	48.0	60.7	78.1	104.6
Change (%)	24.8	26.5	28.8	34.0
ROAE (%)	15.0	16.6	18.5	20.8
ROAA (%)	1.8	1.8	1.9	2.1
Dividend Payout (%)	12.5	12.4	11.5	9.6
Dividend yield (%)	0.4	0.4	0.5	0.6
Book Value (Rs)	345	388	456	548
Change (%)	16.1	12.6	17.3	20.3
Book Value (Rs)	331	372	437	528
P/B (X)	4.1	4.4	3.7	3.1
P/E (X)	29.7	28.0	21.7	16.2



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