

India Equity Analytics

Results Preview Q1FY20 - Banks



Analyst

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AUBANK IN

CMP 696
Target 669
Upside -4%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	13.7%	14.0%	14.0%	15.4%
Roa%	2.0%	1.5%	1.4%	1.5%
Div Yield%	0.1	0.1	0.1	0.2
BVPS	80	109	139	161
P/B	7.7	5.4	5.0	4.4

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	16,038	24,246	32,975	42,207	17,322	24,246	25,117
<i>AUM Growth%</i>	45%	51%	36%	28%	61%	51%	45%
Borrowings	15,562	28,036	35,842	45,384	16,874	28,036	29,549
Deposits	6,743	17,079	32,975	44,902	8,071	17,079	18,605
<i>Deposits Gr</i>		153%	93%	36%		153%	131%
GNPA%	2.0%	2.0%	1.8%	1.7%	2.2%	2.0%	2.1%
NNPA%	1.3%	1.3%	1.1%	1.0%	1.4%	1.3%	1.4%
Net Interest Income	940	1,342	1,863	2,426	286	387	424
<i>NII Gr</i>	20%	43%	39%	30%	56%	35%	48%
Opex	753	1,083	1,396	1,707	237	302	318
<i>Opex Growth%</i>	113%	44%	29%	22%	103%	13%	34%
Pre-provision Profit	576	722	1,032	1,425	152	216	221
<i>PPP Gr</i>	1%	25%	43%	38%	22%	40%	45%
<i>Provisions</i>	133	142	241	360	35	39	41
Net Profits	292	382	515	693	77	118	117
<i>Profit Gr%</i>	-64%	31%	35%	35%	24%	42%	52%
NIM% (Cal.)	5.5%	5.1%	4.8%	4.7%	7.8%	7.4%	7.4%
Cost to Income%	57%	60%	57%	55%	61%	58%	59%

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 48% driven by strong AUM growth while PAT is expected to grow at the rate of 52% YoY.

❑ NIM pressure is expected to slightly decline due to the rate hikes done in Nov & Dec, while the CoF is expected to remain in the same range.

❑ AUM growth is expected to be robust at 45% YoY amid slowdown in the auto segment due to lower competition from the NBFCs. The growth is driven by vehicle finance & MSME segment. Management has guided SBL-MSME, vehicle segment to continue to grow at 30%+ YoY.

❑ Deposit growth is expected to grow at a robust of 9% QoQ going ahead. The CASA% is expected to remain at 21% as at 1QFY20e as AUBANK is expected to rely on institutional funding for incremental growth.

❑ Though AUBANK has 14% exposure to real estate and NBFCs, we still remain confident of asset quality as AUBANK has been able to maintain NIL GNPA on the NBFC portfolio while Real estate portfolio GNPA has been improving.

Key Trackable this Quarter

❑ Strong AUM growth will be important amid liquidity stress

❑ Rise in the interest rate of incremental portfolio with stability in the cost front.

We Value the stock at 4.1x P/BV FY21E. NEUTRAL

AXSB IN

CMP 810
Target 942
Upside 16%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	0.5%	7.2%	15.0%	17.3%
Roa%	0.0%	0.6%	1.3%	1.5%
Div Yield%	0.0%	0.1%	0.6%	0.7%
BVPS	247	259	309	361
P/B	2.1	3.0	2.6	2.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	439,650	494,798	593,758	712,509	441,074	494,798	516057
Adv Growth%	18%	13%	20%	20%	14%	13%	17%
Deposits	453,623	548,471	645,389	774,466	447,079	548,471	573396
Dep Growth%	9%	21%	18%	20%	14%	21%	28%
CD Ratio%	97%	90%	92%	92%	99%	90%	90%
GNPA%	6.8%	5.3%	4.3%	3.3%	6.5%	5.3%	4.9%
NNPA%	3.4%	2.1%	1.6%	1.2%	3.1%	2.1%	1.9%
Slippages %	9.2%	3.3%	2.0%	1.4%	1.0%	0.7%	0.5%
Net Interest Income	18,618	21,708	25,755	31,593	5,167	5,706	5,887
NII Gr	3%	17%	19%	23%	12%	21%	14%
Other Income	10,967	13,130	14,810	17,302	2,925	3,526	3,509
Other Inc Gr%	-6%	20%	13%	17%	-2%	26%	20%
Pre-provision Profit	15,594	19,005	22,646	28,227	4,372	5,014	5,074
PPP Gr	-11%	22%	19%	25%	2%	37%	16%
Provisions	15,473	12,031	5,864	5,205	3,338	2,711	1,609
Net Profits	276	4,677	11,076	15,195	701	1,505	2,287
Profit Gr%	-93%	1596%	137%	37%	-46%	-169%	226%
NIM% (Cal.)	3.1%	3.1%	3.2%	3.3%	3.3%	3.3%	3.3%
Cost to Income%	47%	45%	44%	42%	46%	46%	46%

Std/Fig in Rs Cr

❑ NII is expected to grow by 14% YoY while the NIM is expected to be flat YoY with the rise in cost of deposits offsetting by improving pricing power. The management has guided for NIM of 3.5%-3.8% over the medium term.

❑ Other income is expected to grow by 20% YoY driven by healthy fee income and treasury profit during the quarter. Corporate fee income is also expected to pick up going ahead.

❑ The Loan book is expected to grow by 17% YoY with healthy all-round growth across the segment. Management expects the domestic loan book to grow 5-7% above the industry level while the international book is expected to stabilize in next two quarters. Retail segment is likely to be driven by home loan and unsecured loan book. The Bank's strategy on retail assets continues to be centered on existing customers of the Bank. 83% of retail assets originations in Q4 were from existing customers.

❑ Asset quality is expected to improve with reduction in the slippage ratio to 50 bps. However, management is still cautious on infra lending done During the Q4FY19 signaling some more to be left in the system. Specific PCR at 62% give confidence for the lower credit cost going ahead.

Key Trackable this Quarter

❑ Stress Pool trend

❑ CASA performance

We value the stock at 2.6x P/BV FY21E. BUY

BOI IN

CMP 91
Target 102
Upside 12%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	-17.8%	-13.6%	9.1%	10.4%
Roa%	-1.0%	-0.9%	0.7%	0.8%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	204	168	155	171
P/B	0.5	0.6	0.6	0.5

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	341,380	341,006	381,927	427,758	327,775	341,006	340886
Adv Growth%	-7%	0%	12%	12%	-10%	0%	4%
Deposits	520,854	520,862	545,610	611,083	514,604	520,862	524441
Dep Growth%	-4%	0%	5%	12%	-5%	0%	2%
CD Ratio%	66%	65%	70%	70%	64%	65%	65%
GNPA%	16.6%	15.8%	12.1%	10.3%	16.7%	15.8%	15.5%
NNPA%	8.3%	5.6%	4.1%	3.5%	8.5%	5.6%	5.2%
Slippages %	11.0%	5.7%	3.2%	3.1%	2.1%	1.0%	0.9%
Net Interest Income	10,506	13,658	16,075	18,153	3,354	4,044	3,899
NII Gr	-11%	30%	18%	13%	32%	58%	16%
Other Income	5,734	5,132	6,728	7,459	830	1,603	1,636
Other Inc Gr%	-15%	-10%	31%	11%	-48%	17%	97%
Pre-provision Profit	7,139	8,092	10,831	12,934	1,869	2,303	2,629
PPP Gr	-27%	13%	34%	19%	-21%	96%	41%
Provisions	15,772	16,806	4,142	4,537	2,564	1,897	1,065
Net Profits	(6,044)	(5,547)	4,415	5,542	95	252	1,032
Profit Gr%	N/A	N/A	N/A	26%	8%	N/A	985%
NIM% (Cal.)	1.9%	2.4%	2.7%	2.8%	2.4%	2.9%	2.8%
Cost to Income%	56%	57%	53%	50%	55%	59%	53%

Std/Fig in Rs Cr

❑ BOI is expected to report improved profitability from 1Q FY19 as most of the stressed assets has been recognized and specific provision cover has also reached to 68% which gives confidence over lower provisioning going ahead. NII is expected to grow around 16% driven by NIM improvement and pick up in advances growth.

❑ Loan book has declined since last 4 years, however with the major cleaning of balance sheet and adequate capital ratio, loan book is set to grow. We expect growth of 4% in 1Q FY20 led by retail book. Retail book will be driven by home loan. Management expects advances to grow by 15% in FY20.

❑ Management is targeting slippages of less than Rs 2500 Cr in 1QFY20 vs Rs 3100 Cr in 4Q FY19. Despite any major resolutions under NCLT, assets quality is expected to improve further as management is focus on ARC sales, OTS and SAMADHAN scheme to reduce the NPAs. Management expects Rs 20000- Rs 25000 Cr NPA reduction in FY20.

❑ Bank has exposure of Rs 4000 Cr towards DHFL. RCOM is NPA and other exposure of Rs 1468 Cr towards ADAG out of which Rs 514 Cr is NPA.

Key Trackable this Quarter

❑ Trend in SMA book and newly developed stressed exposure

❑ Recovery & upgradation outlook

We value the stock at 0.6x P/BV FY21E. BUY

CMP 285
Target 313
Upside 10%
Rating HOLD

	FY17	FY18	FY19E	FY20E
Roe%	-12.2%	1.0%	8.2%	12.5%
Roa%	-0.7%	0.1%	0.4%	0.7%
Div Yield%	0.0%	0.0%	1.8%	0.0%
BVPS	486	480	522	585
P/B	0.5	0.6	0.5	0.5

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	381,703	427,727	470,500	475,864	386,253	427,727	432603
Adv Growth%	12%	12%	10%	1%	13%	12%	12%
Deposits	524,772	599,033	644,520	651,868	533,274	599,033	609301
Dep Growth%	6%	14%	8%	1%	10%	14%	13%
CD Ratio%	73%	71%	73%	73%	72%	71%	71%
GNPA%	11.8%	8.8%	6.4%	4.5%	11.1%	8.8%	8.0%
NNPA%	7.5%	5.4%	3.7%	2.6%	6.9%	5.4%	4.7%
Slippages %	7.7%	4.4%	2.2%	1.9%	1.2%	0.6%	0.6%
Net Interest Income	12,163	14,478	15,671	17,975	3,883	3,500	3,545
NII Gr	23%	19%	8%	15%	43%	17%	-9%
Other Income	6,943	6,575	6,747	7,178	1,833	1,862	1,687
Other Inc Gr%	-8%	-5%	3%	6%	-13%	40%	-8%
Pre-provision Profit	9,548	10,591	11,881	13,331	2,933	2,974	2,773
PPP Gr	7%	11%	12%	12%	19%	69%	-5%
Provisions	16,109	12,918	7,440	5,911	2,582	5,524	2,581
Net Profits	(4,222)	347	3,109	5,194	281	(551)	134
Profit Gr%	NA	LTP	796%	67%	12%	NA	LTP
NIM% (Cal.)	2.2%	2.4%	2.3%	2.4%	2.8%	2.3%	2.2%
Cost to Income%	50.0%	49.7%	47.0%	47.0%	48.7%	44.5%	49.5%

Std/Fig in Rs Cr

❑ NII is expected to remain steady on account of consistent advances growth & NIM pressure. The management targets NIM to be at 3% in FY20.

❑ NIM is improving driven by rising share of retail segment as well as MCLR rate hikes. We expect lower interest reversal will further aid margin improvement.

❑ AUM growth is expected to remain at a healthy rate 12% YoY majorly driven by housing, vehicle & personal loan segment. Deposit is expected to grow at the rate of 13% YoY.

❑ Operating expenses are expected to grow by 6% QoQ.

❑ GNPA ratio is expected to decline going ahead with contained slippages & heavy write offs. Management has guided slippages to remain in Rs 7000 Cr in FY20 & credit cost of 2.5% in FY20. With PCR upto 80% on the NCLT cases we expect credit cost to further trend downward.

Key Trackable this Quarter

❑ Recovery & up-gradation outlook

❑ NIM performance

We value the stock at 0.5x P/BV FY21E. HOLD

CUBK IN

CMP 218
Target 230
Upside 6%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	15.3%	15.2%	15.7%	15.7%
Roa%	1.6%	1.6%	1.6%	1.6%
Div Yield%	0.2%	0.2%	0.3%	0.3%
BVPS	57	66	77	89
P/B	2.7	3.1	2.8	2.4

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	27,853	32,673	38,555	45,494	27,853	32,673	32866
Adv Growth%	17%	17%	18%	18%	17%	17%	18%
Deposits	32,853	38,448	46,451	55,481	33,597	38,448	38666
Dep Growth%	9%	17%	21%	19%	10%	17%	15%
CD Ratio%	85%	85%	83%	82%	83%	85%	85%
GNPA%	3.0%	3.0%	3.0%	3.2%	3.0%	3.0%	3.1%
NNPA%	1.7%	1.8%	1.7%	1.8%	1.7%	1.8%	1.9%
Slippages %	2.5%	2.3%	2.2%	0.0%	0.5%	0.7%	0.6%
Net Interest Income	1,430	1,611	1,890	2,197	375	421	443
NII Gr	19%	13%	17%	16%	9%	14%	18%
Other Income	532	514	600	688	129	147	148
Other Inc Gr%	10%	-3%	17%	15%	-5%	23%	15%
Pre-provision Profit	1,208	1,240	1,493	1,731	299	338	351
PPP Gr	22%	3%	20%	16%	1%	15%	17%
Provisions	418	315	373	430	78	91	94
Net Profits	592	683	818	950	162	175	188
Profit Gr%	18%	15%	20%	16%	15%	15%	16%
NIM% (Cal.)	4.0%	4.0%	4.0%	3.9%	4.1%	4.2%	4.3%
Cost to Income%	38.5%	41.7%	40.0%	40.0%	40.6%	40.5%	40.6%

Std/Fig in Rs Cr

❑ NII is expected to grow by 18% YoY with healthy advances growth and stable NIM. With lower competitions from PSU banks and NBFCs, NIM of the company has been continuously increasing, however management has been little conservative on NIM for FY20.

❑ With the declining bond yield, treasury profit of the bank is expected to be high which will boost the other income growth to around 15% in 1Q FY20. Operating expenses is likely to remain under control with the growth of 17% YoY.

❑ With the primarily focus on MSME sector, loan book is expected to grow around 18% in 1QFY20. Management believes to achieve 18-20% credit growth in FY20. Management don't foresee any major change in loan book composition going ahead. Deposits are expected to grow by 15% YoY.

❑ Assets quality is expected to remain fairly stable in 1Q FY20, however bank could face some stress from the private educational institutions. Further the impact of monsoon in MSME and Agri portfolio will be under key watch going ahead. Management expects the slippage ratio for FY20 to be in the range of 1.75%-2%.

Key Trackable this Quarter

❑ Asset quality trend

❑ Management commentary on business outlook considering monsoon impact

We value the stock at 2.6x P/BV FY21E. HOLD

DCBB IN

CMP **235**
Target **248**
Upside **6%**
Rating **HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	9.8%	11.0%	12.7%	15.1%
Roa%	0.9%	1.0%	1.1%	1.2%
Div Yield%	0.5%	0.5%	0.5%	0.6%
BVPS	91	101	113	130
P/B	1.8	2.0	2.1	1.8

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	20,337	23,568	28,753	35,079	21,243	23,568	24642
Adv Growth%	29%	16%	22%	22%	31%	16%	16%
Deposits	24,007	28,435	34,642	42,263	25,032	28,435	29690
Dep Growth%	24%	18%	22%	22%	0%	0%	0%
CD Ratio%	85%	83%	83%	83%	85%	83%	83%
GNPA%	1.8%	1.8%	1.8%	1.9%	1.9%	1.8%	1.9%
NNPA%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%
Slippages %	2.2%	2.1%	2.0%	2.0%	0.5%	0.4%	0.5%
Net Interest Income	995	1,149	1,316	1,593	273	301	312
NII Gr	25%	15%	15%	21%	17%	14%	14%
Other Income	311	350	417	524	83	99	94
Other Inc Gr%	25%	13%	19%	26%	-3%	17%	13%
Pre-provision Profit	525	647	816	1,069	141	185	180
PPP Gr	26%	23%	26%	31%	4%	31%	27%
Provisions	139	140	168	196	33	35	36
Net Profits	245	325	422	567	70	96	94
Profit Gr%	23%	33%	30%	35%	7%	50%	35%
NIM% (Cal.)	3.9%	3.7%	3.5%	3.6%	4.0%	3.8%	3.8%
Cost to Income%	59.8%	56.9%	52.9%	49.5%	60.3%	53.7%	55.5%

Std/Fig in Rs Cr

❑ PAT is expected to grow by 35% YoY mainly driven by slower growth in operating expenses. C/I ratio is expected to improve to 56% vs 60% YoY due to productivity improvement. Management plans to open 15-20 branches in FY20.

❑ With the liquidity issue, management plans to change the deposits profile of the bank going ahead and hence margin is likely to get impact in the first half of FY20, however management is confident of maintaining the NIM of 3.7-3.8% for FY20.

❑ Due to liquidity tightness loan book growth moderated to 16% in 4Q FY19. We expect growth to remain moderate in 1Q FY20 of around 16% and with the ease in liquidity, growth is likely to pick up substantially from 2Q FY20 onwards. Ease in competitions from NBFC will also benefit DCBB going ahead. Management targets to double the loan book in 3-3.5 years.

❑ Assets quality is expected to remain stable; however assets quality in CV segment had shown some issues in 4Q FY19 which is likely to remain under key watch.

Key Trackable this Quarter

- ❑ Cost to income ratio trend
- ❑ ReNIM performance and management commentary over the competitioncovery & upgradation

We value the stock at 1.9x P/BV FY21E. HOLD

CMP 119
Target 151
Upside 27%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	1.0%	7.4%	12.8%	16.4%
Roa%	0.2%	1.2%	1.9%	2.2%
Div Yield%	0.0%	0.0%	0.0%	0.0%
Book Value	66	72	82	97
P/B	2.2	1.7	1.5	1.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	8,107	11,721	15,472	20,113	8,925	11,721	12,495
AUM Growth%	13%	45%	32%	30%	27%	45%	40%
Borrowings	10,607	12,801	17,191	21,172	11,635	12,801	13,731
Deposit	4,719	8,016	14,065	16,244	5,721	8,016	9,256
Deposit Growth%	150%	70%	75%	15%	154%	70%	62%
GNPA%	2.7%	2.5%	1.9%	1.7%	2.8%	2.5%	2.3%
NNPA%	1.4%	1.6%	1.2%	1.2%	1.5%	1.6%	1.5%
Net Interest Income	989	1,311	1,498	1,938	254	333	346
NII Gr	16%	33%	14%	29%	18%	34%	36%
Opex	930	1,027	1,178	1,412	239	275	286
Opex Growth%	51%	10%	15%	20%	5%	23%	19%
Pre-provision Profit	182	373	654	961	76	126	135
PPP Gr	-49%	105%	76%	47%	10%	87%	77%
Provisions	163	101	139	193	21	25	30
Net Profits	12	176	335	499	35	69	68
Profit Gr%	-92%	1334%	90%	49%	127%	97%	91%
NIM% (Cal.)	9.4%	10.1%	9.1%	8.9%	8.9%	9.7%	9.8%
Cost to Income%	84%	73%	64%	60%	76%	69%	68%

Conso/Fig in Rs Cr

❑ NII is expected to grow around 36% YoY led by healthy loan book growth. Healthy NII growth, traction in other income and improving C/I ratio will result strong profitability growth of around 90% in 1Q FY19.

❑ Due to change in portfolio mix towards lower yield assets, NIM is expected to gradually decline going ahead. However declining yield will be offset by improving C/I ratio as the branch expansion strategy normalizes. Management plans to open 20 asset branches & 20 liability branches with increasing the number of sales & collection team in FY20.

❑ AUM is expected to grow around 40% YoY led by growth in micro finance and micro LAP segment. Due to slow down in auto sales, vehicle loan growth is expected to moderate going ahead. However diversified product segment will offset the impact in vehicle loan book. Despite liquidity tightness deposits are expected to remain healthy driven by retail term deposit.

❑ EQUITAS has proposed to capitalize bank's reserve by issuing share to its holding company's shareholders in proportion to their existing holdings. This proposal is subject to various regulatory clearances.

Key Trackable this Quarter

- ❑ Management commentary on listing plan of SFB
- ❑CASA trend

We value the stock at 1.5x P/BV FY21E. BUY

FB IN

CMP 109
Target 118
Upside 8%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	8.3%	9.8%	12.9%	14.9%
Roa%	0.7%	0.8%	1.0%	1.1%
Div Yield%	1.1%	1.5%	1.5%	1.7%
BVPS	62	67	74	84
P/B	1.4	1.4	1.5	1.3

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	91,957	110,223	136,125	168,115	94,297	110,223	115042
Adv Growth%	25%	20%	24%	24%	24%	20%	22%
Deposits	111,992	134,954	164,006	202,548	111,242	134,934	136955
Dep Growth%	15%	21%	22%	24%	16%	20%	23%
CD Ratio%	82%	82%	83%	83%	85%	82%	84%
GNPA%	3.0%	2.9%	2.5%	2.2%	3.0%	2.9%	2.8%
NNPA%	1.7%	1.5%	1.3%	1.1%	1.7%	1.5%	1.4%
Slippages %	2.8%	1.8%	1.0%	1.0%	0.5%	0.3%	0.2%
Net Interest Income	3,583	4,176	5,276	6,655	980	1,097	1,193
NII Gr	17%	17%	26%	26%	22%	17%	22%
Other Income	1,159	1,351	1,642	2,002	271	412	391
Other Inc Gr%	7%	17%	22%	22%	-18%	31%	44%
Pre-provision Profit	2,291	2,763	3,538	4,545	603	755	800
PPP Gr	19%	21%	28%	28%	8%	28%	33%
Provisions	947	856	806	984	199	178	183
Net Profits	879	1,244	1,803	2,351	263	382	407
Profit Gr%	6%	42%	45%	30%	25%	163%	55%
NIM% (Cal.)	3.0%	3.0%	3.1%	3.2%	3.1%	3.1%	3.3%
Cost to Income%	51.7%	50.0%	48.8%	47.5%	51.8%	50.0%	49.5%

Std/Fig in Rs Cr

❑ NII is expected to grow around 21% led by improvement in NIM as well as healthy advances growth. PAT is expected to grow more than 50% due to improvement in core profitability and lower credit cost.

❑ Other income is expected to remain healthy on YoY basis due to higher treasury gain on account of fall in bond yield. Fee income is expected to improve due to healthy third-party distribution as well as increased card business. C/I ratio is likely to improve gradually going ahead. Management is looking to add 80-100 branches outside Kerala in selected geographies over the next 2 years.

❑ Loan book is expected to grow around 22% YoY led by healthy growth in retail book whereas corporate loan book growth is expected to be lower than retail portfolio growth. The focus of management is to grow retail and SME portfolio and working towards loan book composition of 50:50 for retail and wholesale book.

❑ Lower exposure towards stress corporate sector, we expect slippages to remain under control. Flood impacted portfolio has been already recognized as NPA in 4QFY19. Credit cost is expected to be lower in FY20.

Key Trackable this Quarter

❑ Slippages trend

❑ Fee income traction & C/I ratio

We value the stock at 1.4x P/BV FY21E. HOLD

HDFCB IN

CMP 2485
Target 2799
Upside 13%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	17.9%	16.5%	16.1%	17.0%
Roa%	1.8%	1.8%	1.9%	1.9%
Div Yield%	0.7%	0.6%	0.7%	0.8%
BVPS	410	548	617	700
P/B	4.6	4.4	3.9	3.5

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	658333	819401	991475	1189770	708649	819401	857465
Adv Growth%	19%	24%	21%	20%	22%	24%	21%
Deposits	788771	923141	1126676	1352012	805785	923141	952739
Dep Growth%	23%	17%	22%	20%	20%	17%	18%
CD Ratio%	83%	89%	88%	88%	88%	89%	90%
GNPA%	1.3%	1.4%	1.4%	1.4%	1.3%	1.4%	1.4%
NNPA%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Slippages %	2.0%	1.8%	1.5%	1.4%	0.5%	0.5%	0.5%
Net Interest Income	40095	48243	57189	68216	10814	13089	13532
NII Gr	21%	20%	19%	19%	15%	23%	25%
Other Income	15220	17626	20488	24783	3818	4871	4545
Other Inc Gr%	24%	16%	16%	21%	9%	15%	19%
Pre-provision Profit	32625	39750	47166	56642	8648	10844	10828
PPP Gr	27%	22%	19%	20%	15%	23%	25%
Provisions	5927	7550	7862	9230	1629	1889	2096
Net Profits	17487	21078	25729	31037	4601	5885	5725
Profit Gr%	20%	21%	22%	21%	18%	23%	24%
NIM% (Cal.)	4.6%	4.6%	4.4%	4.4%	4.4%	4.6%	4.5%
Cost to Income%	41.0%	39.7%	39.3%	39.1%	40.9%	39.6%	40.1%

Std/Fig in Rs Cr

❑ NII is expected to grow by 25% YoY driven by stable NIM and Healthy loan book growth. The NIM is expected to be stable even with rising cost of fund on account of increase in unsecured high yielding portfolio.

❑ Fee income growth is expected to remain moderate impacted by regulatory changes in mutual fund distribution fee income. However, management expects the growth of 15-16% in fee income at some point of time going ahead.

❑ Loan book is expected to register growth of 21% YoY on 1Q FY20 led by retail book growth. Recently the growth in corporate book was healthy due to some short-term opportunity. Under the retail book, vehicle loan is expected to show some sluggishness, however other segment like home loan and unsecured book are expected to perform better.

❑ Slippages are expected to remain elevated with bank guiding for spurt in agriculture delinquencies in the June quarter considering which it has created contingent provisions.

Key Trackable this Quarter

- ❑ Asset quality in Agri and business banking portfolio.
- ❑ Progress on succession planning.

We value the stock at 4x P/BV FY21E. BUY

ICICIBC IN

CMP 439
Target 515
Upside 17%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	6.6%	3.2%	12.1%	13.2%
Roa%	0.8%	0.4%	1.3%	1.4%
Div Yield%	0.5%	0.3%	0.5%	0.8%
BVPS	164	168	189	213
P/B	1.7	2.4	2.3	2.1

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	512,395	586,647	692,243	816,847	516,289	586,647	593732
Adv Growth%	10%	14%	18%	18%	11%	14%	15%
Deposits	560,975	652,920	740,367	868,986	546,878	652,920	667115
Dep Growth%	14%	16%	13%	17%	12%	16%	22%
CD Ratio%	91%	90%	94%	94%	94%	90%	89%
GNPA%	8.8%	6.7%	5.1%	3.8%	8.8%	6.7%	6.4%
NNPA%	4.8%	2.1%	1.6%	1.2%	4.2%	2.1%	2.0%
Slippages %	6.4%	2.5%	1.8%	1.5%	0.8%	0.6%	0.5%
Net Interest Income	23,026	27,015	32,296	39,242	6,102	7,620	7,434
NII Gr	6%	17%	20%	22%	9%	27%	22%
Other Income	17,420	14,512	16,793	18,291	3,852	3,621	3,859
Other Inc Gr%	-11%	-17%	16%	9%	14%	-36%	0%
Pre-provision Profit	24,742	23,438	28,386	33,580	5,808	6,233	6,314
PPP Gr	-7%	-5%	21%	18%	12%	-17%	9%
Provisions	17,307	19,661	7,982	8,386	5,971	5,451	1,918
Net Profits	6,777	3,363	13,940	17,132	(120)	969	3,055
Profit Gr%	-31%	-50%	314%	23%	N/A	-5%	N/A
NIM% (Cal.)	3.0%	3.2%	3.4%	3.5%	3.2%	3.7%	3.5%
Cost to Income%	38.8%	43.6%	42.2%	41.6%	41.6%	44.5%	46.8%

Std/Fig in Rs Cr

❑ ICICI Bank is expected to report healthy profitability from 1Q FY20 onwards on account of improved assets quality scenario. We expect NII to grow around 22% led by healthy growth in loan book as well as NIM improvement. Excluding one-off in 4Q FY19, NIM is expected to remain stable or improve marginally on sequential basis with the rise in share of unsecured retail assets.

❑ Cost to income ratio is expected to be at high levels with company making continuous investment in people, technology, distribution and brand. The operating expenses are expected to grow by 20% while the C/I ratio is expected at 47% in 1Q FY20.

❑ Advances are expected to grow by 15% YoY Led by SME and retail advance segment while corporate loan book is expected to grow moderately.

❑ Asset quality is expected to improve with slippage ratio moderating down to 50 BPS. The retail slippages are expected to be higher due to likely additions from kisan card portfolio. However, with specific PCR at 71%, credit cost is expected to be lower than the FY19 level. Management expects credit cost to be 1.2%-1.3% of the average advance in FY20.

Key Trackable this Quarter

❑ Assets quality performance in retail segment and NBFC exposure.

❑ Management commentary on business outlook .

We value the stock at 2.4x P/BV FY21E. BUY

KVB IN

CMP 71
Target 85
Upside 20%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	6.1%	3.3%	8.5%	12.5%
Roa%	0.5%	0.3%	0.8%	1.1%
Div Yield%	0.6%	0.8%	1.3%	2.5%
BVPS	78	80	87	97
P/B	1.2	0.9	0.9	0.8

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	44,800	48,581	55,382	63,136	46,406	48,581	51047
Adv Growth%	10%	8%	14%	14%	11%	8%	10%
Deposits	56,890	59,868	71,003	80,943	57,554	59,868	63020
Dep Growth%	6%	5%	19%	14%	5%	5%	9%
CD Ratio%	79%	81%	78%	78%	81%	81%	81%
GNPA%	6.6%	8.8%	8.9%	8.6%	7.4%	8.8%	9.0%
NNPA%	4.2%	5.0%	4.1%	3.9%	4.5%	5.0%	4.8%
Slippages %	5.2%	5.5%	3.6%	3.3%	1.8%	1.1%	1.0%
Net Interest Income	2,298	2,363	2,676	3,170	584	619	631
NII Gr	11%	3%	13%	18%	8%	-4%	8%
Other Income	900	963	1,073	1,158	255	272	281
Other Inc Gr%	15%	7%	11%	8%	8%	31%	10%
Pre-provision Profit	1,777	1,711	1,957	2,307	459	465	474
PPP Gr	13%	-4%	14%	18%	2%	-3%	3%
Provisions	1,274	1,389	1,201	917	423	352	336
Net Profits	346	211	566	918	46	60	103
Profit Gr%	-43%	-39%	169%	62%	-69%	19%	126%
NIM% (Cal.)	3.8%	3.7%	3.8%	3.9%	3.8%	3.9%	3.9%
Cost to Income%	44.4%	48.6%	47.8%	46.7%	45.2%	47.9%	48.0%

Std/Fig in Rs Cr

❑ NIM is expected to improve given the approach of management for better pricing risk strategy. NIM is expected to increase to 400-425 bps in FY20. Other income growth will be supported by higher treasury gain due to fall in bond yield.

❑ Management expects operating Profit at Rs 2000 Cr in FY20, Provisions of Rs 1200 Cr and PBT of Rs 800 Cr in FY20. Expected ROA is 100 bps for FY20.

❑ Loan book growth is expected to improve around 10% in 1Q FY20 led by healthy growth in retail assets. Corporate portfolio growth will remain muted given the focus of management on retail and MSME sector. Management expects advances growth of 12-15% in FY20 with retail assets growth of 30%.

❑ Slippage is expected to remain at elevated level as management expects slippages for the full year at Rs 1850 Cr and net NPA accretion of Rs 1100 Cr in FY20. Credit cost is expected to remain elevated as specific PCR is low at 46%.

Key Trackable this Quarter

❑ MSME & Agri business performance.

❑ Assets quality trend.

We value the stock at 0.9x P/BV FY21E. BUY

KMB IN

CMP **1481**
Target **1391**
Upside **-6%**
Rating **NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	12.5%	12.2%	12.7%	13.3%
Roa%	0.8%	0.9%	1.1%	1.1%
Div Yield%	0.1%	0.1%	0.1%	0.1%
BVPS	197	222	251	286
P/B	5.3	6.0	5.9	5.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	169,718	205,695	243,748	287,623	176,927	205,695	214082
Adv Growth%	25%	21%	19%	18%	24%	21%	21%
Deposits	192,643	225,880	264,944	309,272	189,744	225,880	235255
Dep Growth%	22%	17%	17%	17%	16%	17%	24%
CD Ratio%	88%	91%	92%	93%	93%	91%	91%
GNPA%	2.4%	2.4%	2.4%	2.4%	2.2%	2.1%	2.2%
NNPA%	1.0%	0.8%	0.7%	0.7%	0.9%	0.8%	0.7%
Net Interest Income	9,532	11,259	13,178	15,645	2,583	3,048	3,055
NII Gr	17%	18%	17%	19%	15%	18%	18%
Other Income	4,052	4,604	5,411	6,257	1,165	1,270	1,284
Other Inc Gr%	17%	14%	18%	16%	28%	10%	10%
Pre-provision Profit	7,158	8,348	9,807	11,702	2,033	2,282	2,309
PPP Gr	20%	17%	17%	19%	27%	13%	14%
Provisions	940	962	1,039	1,320	470	171	184
Net Profits	4,084	4,865	5,743	6,800	1,025	1,408	1,392
Profit Gr%	20%	19%	18%	18%	12%	25%	36%
NIM% (Cal.)	4.2%	4.1%	4.1%	4.2%	3.8%	3.8%	3.5%
Cost to Income%	47%	47%	47%	47%	46%	47%	47%

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 18% on the back of healthy Advances growth of 21% YoY. PAT is expected to grow at the rate of 36% mainly on the back lower provisioning.

❑ NIM is expected to remain steady. Though management has been experiencing better pricing power but it is expected to be offset-ted by hike in deposit rates. As management has guided that deposit rate has bottomed out & going ahead a hike in deposit rate is expected.

❑ AUM growth is expected to remain healthy at 21% YoY, the growth is expected to be driven by all the segment but majorly by CV/CE segment as management is confident of demand in the CV segment till Dec before BS-VI is implemented. Management has maintained cautious stance on the SME segment.

❑ Kotak Bank has maintained its asset quality at a pristine 2% level. We expect management will asset quality to remain steady range as the SMA -2 numbers is at Rs 138 Cr only, thus credit cost is expected to trend in a lower range.

Key Trackable this Quarter

- ❑ The hike in the deposit rates
- ❑ Stress in the SME segment may effect growth

We value the stock on SOTP. 3.5x P/BV FY21E for lending Business. NEUTRAL

RBK IN

CMP 648
Target 834
Upside 29%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	11.5%	12.2%	15.7%	18.5%
Roa%	1.1%	1.2%	1.4%	1.5%
Div Yield%	0.4%	0.4%	0.5%	0.6%
BVPS	159	177	204	241
P/B	3.0	3.8	3.3	2.8

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	40,268	54,308	71,687	91,759	42,198	54,308	56545
Adv Growth%	37%	35%	32%	28%	36%	35%	34%
Deposits	43,902	58,394	78,776	101,954	44,950	58,394	61130
Dep Growth%	27%	33%	35%	29%	27%	33%	36%
CD Ratio%	92%	93%	91%	90%	94%	93%	93%
GNPA%	1.4%	1.4%	1.4%	1.5%	1.4%	1.4%	1.4%
NNPA%	0.8%	0.7%	0.7%	0.7%	0.8%	0.7%	0.7%
Slippages %	1.9%	1.8%	1.7%	1.6%	0.4%	0.4%	0.4%
Net Interest Income	1,766	2,539	3,587	4,700	553	739	790
NII Gr	45%	44%	41%	31%	46%	48%	43%
Other Income	1,068	1,442	1,891	2,438	326	409	418
Other Inc Gr%	41%	35%	31%	29%	27%	31%	28%
Pre-provision Profit	1,331	1,940	2,671	3,569	432	560	586
PPP Gr	45%	46%	38%	34%	39%	46%	36%
Provisions	365	641	738	918	140	200	180
Net Profits	635	867	1,276	1,750	190	247	268
Profit Gr%	42%	37%	47%	37%	35%	39%	41%
NIM% (Cal.)	3.4%	3.8%	4.2%	4.2%	4.0%	4.5%	4.5%
Cost to Income%	53.0%	51.3%	51.2%	50.0%	50.8%	51.2%	51.5%

Std/Fig in Rs Cr

❑ NII is expected to grow around 43% YoY driven by healthy advances growth and stable NIM. The company has been able to expand the NIM even with rising cost of fund for the industry by optimizing the funding mix between CASA, refinance, foreign currency borrowing and customer deposit. Change in portfolio mix towards retail higher yield assets has also boosted the margin.

❑ Operating expenses is likely to remain elevated given the aggressive branch expansion and digitization. C/I ratio is expected to be around 51% in 1Q FY20. Management expects cost to income to be between 50-52% for F20.

❑ The Fee income is expected to grow by 39% YoY led by credit cards with management looking to double the card business within the 18 months. The other income is expected to grow by 31% YoY.

❑ Loan book is expected to grow by 34% YoY driven by healthy growth in the retail segment. Under the retail business banking and micro finance book is expected to grow at healthier rate.

❑ Slippages are expected to remain high with stress in Agri portfolio on account of loan waivers and monsoon impact. NPA in card business has also risen recently. We remain cautious on SME portfolio.

Key Trackable this Quarter

❑ Monsoon impact on assets quality.

❑ CASA growth.

We value the stock at 3.4x P/BV FY21E. BUY

SBIN IN

CMP 361
Target 429
Upside 19%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	-3.2%	0.4%	14.9%	13.6%
Roa%	-0.2%	0.0%	0.9%	0.9%
Div Yield%	0.0%	0.0%	1.7%	1.7%
BVPS	246	248	287	322
P/B	1.0	1.3	1.2	1.1

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	1934880	2185877	2470041	2766446	1875773	2185877	2138381
Adv Growth%	23%	13%	13%	12%	4%	13%	14%
Deposits	2706343	2911386	3293388	3688594	2747813	2911386	2969974
Dep Growth%	32%	8%	13%	12%	0%	0%	0%
CD Ratio%	71%	75%	75%	75%	68%	75%	72%
GNPA%	10.9%	7.5%	5.3%	4.2%	10.7%	7.5%	7.2%
NNPA%	5.7%	3.0%	1.9%	1.8%	5.3%	3.0%	2.8%
Slippages %	6.6%	2.2%	1.3%	1.4%	0.8%	0.4%	0.3%
Net Interest Income	74854	88350	103078	118988	21798	22954	23466
NII Gr	21%	18%	17%	15%	24%	15%	8%
Other Income	44601	36775	52580	44151	6679	12685	9195
Other Inc Gr%	26%	-18%	43%	-16%	-17%	2%	38%
Pre-provision Profit	59511	55437	85343	86086	11973	16933	15514
PPP Gr	17%	-7%	54%	1%	1%	7%	30%
Provisions	75039	53829	31482	30179	19228	16502	8108
Net Profits	-6547	863	35548	36899	-4876	838	4888
Profit Gr%	-162%	LTP	4019%	4%	N/A	LTP	LTP
NIM% (Cal.)	2.6%	2.7%	2.8%	2.9%	2.8%	2.8%	2.8%
Cost to Income%	50%	56%	45%	47%	58%	52%	53%

Std/Fig in Rs Cr

❑ SBIN is expected to report healthy profitability on account of lower provisioning requirement and improvement in core operating performance. Operating profit is expected to grow around 30% YoY and PAT is expected around Rs 4900 Cr in 1Q FY20 vs loss of Rs 4876 Cr a year ago. Management is expecting profit for FY20 in the range of Rs 35000-40000 Cr considering recovery from NCLT accounts and stake sale in 2 subsidiary accounts.

❑ NIM is expected to improve on account of improving low cost of deposits as well as lower slippages will also benefit the NIM. Management targets for the NIM of 3.25% in FY20. Operating expenses is expected to grow at lower pace in FY20 due to lower requirement of provisions on pension and gratuity.

❑ Loan book is expected to grow around 14% in 1Q FY20 driven by retail loan. Corporate advances are also expected to pick up going ahead.

❑ Assets quality is expected to improve on a sequential basis with restriction on slippages of around Rs 7000 Cr. Slippages from Agri and MSME portfolio will be under key watch. Lack of any major resolutions under NCLT will keep recovery lower.

Key Trackable this Quarter

❑ Management commentary on development on new stress accounts in the system.

❑ Outlook on agriculture and MSME portfolio.

We value the stock at 1.3x P/BV FY21E. BUY

CMP 14
Target 16
Upside 14%
Rating ACCUMULATE

	FY18	FY19	FY20E	FY21E
Roe%	6.6%	4.7%	8.3%	10.4%
Roa%	0.4%	0.3%	0.5%	0.5%
Div Yield%	1.8%	1.5%	1.9%	3.8%
BVPS	29	29	32	35
P/B	0.8	0.6	0.4	0.4

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	54,563	62,694	71,471	82,191	55,444	62,694	63761
Adv Growth%	18%	15%	14%	15%	19%	15%	15%
Deposits	72,030	80,420	94,041	108,147	72,488	80,420	82806
Dep Growth%	9%	12%	17%	15%	10%	12%	14%
CD Ratio%	76%	78%	76%	76%	76%	78%	77%
GNPA%	3.6%	4.9%	5.1%	5.0%	4.5%	4.9%	5.1%
NNPA%	2.6%	3.5%	3.4%	3.1%	3.3%	3.5%	3.5%
Slippages %	3.9%	3.5%	1.7%	1.5%	1.1%	0.6%	0.4%
Net Interest Income	1,966	2,020	2,313	2,756	494	499	505
NII Gr	17%	3%	14%	19%	7%	1%	2%
Other Income	837	726	868	1,007	146	236	217
Other Inc Gr%	17%	-13%	20%	16%	-33%	32%	49%
Pre-provision Profit	1,481	1,239	1,528	1,854	270	328	343
PPP Gr	22%	-16%	23%	21%	-29%	5%	27%
Provisions	981	858	829	906	232	219	205
Net Profits	335	248	461	626	23	71	91
Profit Gr%	-15%	-26%	86%	36%	-77%	-38%	293%
NIM% (Cal.)	2.7%	2.5%	2.5%	2.6%	2.6%	2.4%	2.4%
Cost to Income%	47.2%	54.9%	52.0%	50.7%	57.9%	55.4%	52.5%

Std/Fig in Rs Cr

❑ NII is expected to remain steady due to margin pressure. PAT is expected to grow at the rate 28% mainly on the lower operating expenditure.

❑ NIM pressure is expected to persist in the medium term as management has not been able to pass on rise in MCLR to the customer.

❑ Advances growth is expected to grow at the rate of 15% YoY driven by strong growth in the MSME segment. Management expects improvement in ticket size in the MSME segment. Deposit is expected to grow at the rate of 14% YoY as at 1QFY20e.

❑ Credit cost is expected to steady going ahead for few quarter as, even though the legacy problem of large corporate delinquency has stabilised but management plans to increase the PCR to 60%. IL&FS default have a provision of around 15%.

❑ C/I ratio is expected to decline to 52.5% as at 1QFY20e. Management expects C/I ratio will come down to 50% going ahead as banks will be getting benefit of higher operating leverage from centralized operation, higher fee income and treasury income.

Key Trackable this Quarter

❑ Banks ability to pass on the rise in MCLR to customer.

❑ Slippages trend

We value the stock at 0.5x P/BV FY21E. ACCUMULATE

UJJIVAN IN

CMP **293**
Target **364**
Upside **24%**
Rating **BUY**

	FY18	FY19	FY20E	FY21E
Roe%	0.4%	10.7%	16.1%	19.8%
Roa%	0.1%	1.7%	2.1%	2.4%
Div Yield%	83.0%	5.2%	4.3%	2.9%
Book Value	146	161	188	227
P/B	2.4	1.8	1.6	1.3

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
AUM	7,552	11,049	14,916	19,093	7,787	11,049	11,291
AUM Growth%	29%	41%	35%	28%	21%	46%	45%
Borrowings	6,044	4,247	2,554	6,478	7,775	11,971	12,012
Deposit	1,606	7,178	12,430	12,703	2,057	7,178	8,686
Deposit Growth %	680%	347%	73%	2%	410%	347%	322%
GNPA%	3.6%	0.9%	1.5%	1.5%	2.7%	0.9%	1.0%
NNPA%	0.7%	0.3%	0.5%	0.5%	0.3%	0.3%	0.5%
Net Interest Income	838	1,120	1,523	1,983	242	328	339
NII Gr	4%	34%	36%	30%	46%	22%	40%
Opex	654	1,007	1,210	1,450	217	302	277
Opex Growth%	43%	54%	20%	20%	38%	72%	28%
Pre-provision Profit	323	311	596	903	83	85	124
PPP Gr	311%	41%	90%	163%	87%	-36%	49%
Provisions	311	41	90	163	15	12	14
Net Profits	7	198	339	496	45	64	74
Profit Gr%	-96%	2625%	71%	46%	160%	-2%	64%
NIM% (Cal.)	10.1%	10.5%	10.3%	10.3%	11.5%	12.6%	11.9%
Cost to Income%	67%	76%	67%	62%	72%	78%	69%

Conso/Fig in Rs Cr

❑ NII is expected to grow at the rate of 40% majorly on the back of AUM growth of 45% YoY. PAT is expected to grow at the rate of 16% QoQ.

❑ NIM is expected to remain under pressure as the share of MFI book is running down. While on the cost front management is continuously focusing in increasing its CASA ratio, it has targeted to double the CASA% from 10-20% in the next 3 years, which will provide some cushioning to the margin in the long run.

❑ AUM growth is expected to remain at a robust rate of 45% YoY. The growth is expected to be driven by the entire segment. Management has guided loan book to grow at the rate of 35-40% for next 2 years. Deposit is expected to grow at the rate of 21% QoQ with improvement in CASA ratio 11% as at 1QFY20e. Management is planning to improve the share of retail deposits going ahead.

❑ As most of the asset centers has been converted into banking branches we expect C/I ratio to trend downwards going ahead. Only 50 branches are expected to be converted into banking branches in H1FY20.

Key Trackable this Quarter

❑ Improvement in the C/I ratio.

❑ Uncertainty due to listing agreement.

We value the stock at 1.65x P/BV FY21E. BUY

UNBK IN

CMP 84
Target 80
Upside -5%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	-21.6%	-11.4%	4.9%	8.3%
Roa%	-1.1%	-0.6%	0.3%	0.5%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	215	150	158	171
P/B	0.4	0.6	0.5	0.5

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	288,761	296,932	317,717	339,958	293,099	296,932	304823
Adv Growth%	1%	3%	7%	7%	5%	3%	4%
Deposits	408,502	415,915	429,348	457,547	405,860	415,915	423365
Dep Growth%	8%	2%	3%	7%	8%	2%	4%
CD Ratio%	71%	71%	74%	74%	72%	71%	72%
GNPA%	15.7%	15.0%	12.4%	9.9%	16.0%	15.0%	14.6%
NNPA%	8.4%	6.9%	5.4%	4.3%	8.7%	6.9%	6.5%
Slippages %	8.0%	5.1%	3.7%	2.5%	1.8%	1.2%	1.1%
Net Interest Income	9,305	10,215	10,986	12,391	2,626	2,602	2,612
NII Gr	5%	10%	8%	13%	17%	19%	-1%
Other Income	4,990	4,474	4,576	4,700	1,208	1,272	1,219
Other Inc Gr%	1%	-10%	2%	3%	-15%	-14%	1%
Pre-provision Profit	7,640	7,521	8,033	8,928	2,089	1,730	1,954
PPP Gr	3%	-2%	7%	11%	2%	-8%	-6%
Provisions	14,281	11,448	6,007	5,286	2,229	5,766	1,730
Net Profits	(5,247)	(2,947)	1,337	2,404	130	(3,369)	148
Profit Gr%	NA	NA	-145%	80%	11%	NA	14%
NIM% (Cal.)	2.1%	2.2%	2.3%	2.5%	2.3%	2.3%	2.3%
Cost to Income%	46.6%	48.8%	48.4%	47.8%	45.5%	55.3%	49.0%

Std/Fig in Rs Cr

❑ NII is expected to remain flat due to muted loan book growth in 1QFY20. PAT is expected to grow at the rate of 14% majorly on the back of lower provisioning.

❑ NIM pressure is expected to improve with lower interest reversal & rising share of low cost deposit in the portfolio. Management has guided NIM is to remain above 2.4% for full year.

❑ Overall advances growth is expected to improve to 4% YoY in 1QFY20e. Management has guided 9-11% YoY advance growth for FY20. Growth is expected to be driven by retail & corporate. Lower CET-1 is unfavourable for up stick in the growth movement.

❑ Deposit is expected to grow at the rate of 4% YoY as at 1QFY20e with improvement in the CASA ratio to 36.5%.

❑ GNPA is expected to improve due to higher share of write offs. Credit cost is expected to decline as management has provided the entire divergence in the provision in the book & NCLT 1 & 2 combined together is provided upto 72%, so credit cost is expected to trend in the lower range in FY20. Management expects stress in MSME in the month of June and September.

Key Trackable this Quarter

❑ Capital raising plan upto Rs 4000 Cr.

❑ Uncertainty over resolution of NCLT cases will keep the earning volatile.

We value the stock at 0.5x P/BV FY21E. NEUTRAL

YES IN

CMP 109
Target 122
Upside 12%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	17.7%	6.5%	7.0%	13.3%
Roa%	1.6%	0.5%	0.5%	0.9%
Div Yield%	0.9%	0.7%	2.3%	2.8%
BVPS	112	116	122	136
P/B	2.7	2.4	0.9	0.8

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Net Advances	203,534	241,500	260,820	299,943	214,720	241,500	240487
Adv Growth%	54%	19%	8%	15%	53%	19%	12%
Deposits	200,738	227,610	255,705	296,973	213,395	227,610	229035
Dep Growth%	41%	13%	12%	16%	42%	13%	7%
CD Ratio%	101%	106%	102%	101%	101%	106%	105%
GNPA%	1.3%	3.2%	4.5%	2.8%	1.3%	3.2%	3.9%
NNPA%	0.6%	1.9%	2.3%	1.1%	0.6%	1.9%	2.2%
Slippages %	4.0%	3.3%	3.4%	0.7%	0.3%	1.4%	1.2%
Net Interest Income	7,737	9,809	10,497	12,245	2,219	2,506	2,520
NII Gr	33%	27%	7%	17%	23%	16%	14%
Other Income	5,224	4,590	3,415	4,579	1,694	532	721
Other Inc Gr%	26%	-12%	-26%	34%	50%	-63%	-57%
Pre-provision Profit	7,748	8,135	6,370	8,524	2,455	1,323	1,459
PPP Gr	33%	5%	-22%	34%	44%	-38%	-41%
Provisions	1,554	5,778	3,452	2,251	626	3,662	1,205
Net Profits	4,225	1,720	1,926	3,979	1,260	(1,507)	167
Profit Gr%	27%	-59%	12%	107%	31%	N/A	-87%
NIM% (Cal.)	3.1%	3.0%	2.9%	3.1%	3.3%	2.9%	2.9%
Cost to Income%	40.2%	43.5%	54.2%	49.3%	37.3%	56.4%	55.0%

Std/Fig in Rs Cr

❑ YES bank is expected to continue to report pressure on profitability considering deteriorating assets quality and muted loan book growth. NIM is likely to contract given the rise in cost of fund whereas fee income is also likely to face the heat of impact in corporate loan book.

❑ The Advance growth during the quarter is expected to be moderate at 12% YoY with the growth in corporate book expected to decline sequentially as management is focusing more on working capital loan rather than term loan.

❑ The Asset quality is expected to suffer with higher exposure towards newly developed stressed book. The slippages are expected to be high while provisioning is also expected to remain at elevated levels. BB & below rated book has increased significantly to 7.1%. Management has prepared for 50% of slippages from BB& below book and had guided for credit cost 1.25% in FY20.

❑ Management is targeting sustainable RoA of 1.5% and RoE in high teens in longer term. Management plans to raise \$1.2 Bn to boost the capital ratio.

Key Trackable this Quarter

❑ Progress on capital raising plan.

❑ Stress pool trend.

We value the stock at 1x P/BV FY20E. NEUTRAL

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