

India Equity Analytics

Results Preview Q3FY20 - Banks

Narnolia[®]

Analyst

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AUBANK IN

CMP 796
Target 801
Upside 1%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	13.7%	14.0%	18.9%	17.2%
Roa%	2.0%	1.5%	1.9%	1.7%
Div Yield%	0.08	0.13	0.12	0.16
BVPS	80	108	136	160
P/B	7.7	5.5	5.9	5.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
AUM	16,038	24,246	32,005	40,966	21,765	27,876	28,730
<i>AUM Growth%</i>	45%	51%	32%	28%	62%	38%	32%
Borrowings	15,562	28,036	34,788	44,050	23,502	30,732	31,571
Deposits	6,743	17,079	26,671	35,623	12,573	20,606	21,281
<i>Deposits Gr%</i>	-	153%	56%	34%	248%	91%	69%
GNPA%	2.0%	2.0%	1.9%	1.8%	2.1%	2.0%	2.0%
NNPA%	1.3%	1.3%	1.1%	1.1%	1.3%	1.1%	1.2%
Net Interest Income	940	1,342	1,819	2,212	348	452	465
<i>NII Gr%</i>	20%	43%	36%	22%	39%	41%	34%
Opex	753	1,083	1,339	1,610	275	325	335
<i>Opex Growth%</i>	113%	44%	24%	20%	35%	21%	22%
Pre-provision Profit	576	722	1,146	1,344	179	278	274
<i>PPP Gr%</i>	1%	25%	59%	17%	17%	59%	53%
<i>Provisions</i>	133	142	235	315	32	61	68
Net Profits	292	382	687	771	95	172	154
<i>Profit Gr%</i>	-64%	31%	80%	12%	21%	88%	62%
NIM% (Cal.)	5.5%	5.1%	5.0%	4.8%	7.3%	7.3%	7.0%
Cost to Income%	57%	60%	54%	55%	61%	54%	55%

Std/Fig in Rs Cr

□ NIM is expected to remain under pressure even after a higher rate of incremental disbursement because of the rising share of the slightly costly non-callable deposit. Incremental disbursement is majorly in high yielding retail products like the used vehicle, SBL MSME smaller ticket loans.

□ C/I ratio is expected to trend down as more and more branches are breaking even. Management has guided the C/I ratio to remain at 54% in 2HFY20. Asset centers remaining to get converted into branch stands at 78.

□ Management is expected to focus on asset quality. Management has prudently increased standard provisioning to 1% while 0.4% in the prior quarter. We expect credit cost at 1% for 2HFY20 as management is prudent provided at a higher rate to get tax incentive. PCR has increased to 44% from 41% in 2QFY20.

□ The growth trend is expected to remain around 30% in 3QFY20. The growth is expected to remain mute sequentially with the auto slowdown in the retail segment while the recent NBFC crisis has made management cautious in the wholesale segment.

□ Temasek has firmed up its stake to 4.8% and has infused Rs 525 Cr by conversion of warrants

Key Trackable this Quarter

- Delinquency in the NBFC and RAG segment
- The deposit growth will be important to foray portfolio growth

We Value the stock at 5x P/BV FY21E. NEUTRAL

AXSB IN

CMP 757
Target 816
Upside 8%
Rating HOLD

	FY18	FY19E	FY20E	FY21E
Roe%	0.46%	7.2%	11.0%	15.4%
Roa%	0.04%	0.63%	1.01%	1.52%
Div Yield%	0.00%	0.13%	0.66%	0.79%
BVPS	247	259	323	371
P/B	2.1	3.0	2.3	2.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	4,39,650	4,94,798	5,83,862	6,88,957	4,75,104	5,20,594	546370
<i>Adv Growth%</i>	18%	13%	18%	18%	13%	14%	15%
Deposits	4,53,623	5,48,471	6,48,735	7,65,507	5,14,092	5,83,958	607077
<i>Dep Growth%</i>	9%	21%	18%	18%	26%	22%	18%
CD Ratio%	97%	90%	90%	90%	92%	89%	90%
GNPA%	6.8%	5.3%	4.5%	4.3%	5.8%	5.0%	4.7%
NNPA%	3.4%	2.1%	1.7%	1.5%	2.4%	2.0%	1.9%
Slippages %	9.2%	3.3%	3.7%	2.2%	0.9%	1.0%	0.9%
Net Interest Income	18,618	21,708	24,948	30,178	5,604	6,102	6,437
<i>NII Gr%</i>	3%	17%	15%	21%	18%	17%	15%
Other Income	10,967	13,130	15,646	16,476	4,001	3,896	3,825
<i>Other Inc Gr%</i>	-6%	20%	19%	5%	54%	45%	-4%
Pre-provisioning Profit	15,594	19,005	24,034	27,526	5,525	5,952	6,054
<i>PPP Gr%</i>	-11%	22%	26%	15%	43%	45%	10%
Provisions	15,473	12,031	12,420	7,447	3,055	3,518	2,801
Net Profits	276	4,677	8,644	15,025	1,681	(112)	2,435
<i>Profit Gr%</i>	-93%	1596%	85%	74%	131%	-114%	45%
NIM% (Cal.)	3.1%	3.1%	3.1%	3.3%	3.4%	3.3%	3.4%
Cost to Income%	47%	45%	41%	41%	42%	40%	41%

Std/Fig in Rs Cr

☐ NII is expected to grow by 15% YoY on the back on Strong Loan book growth and strong NIM on the back of improvement in the asset quality. The management has said it expects NIM for FY20 is expected to be better than that for FY20.

☐ Cost to income ratio is expected to be around 41%. The management has opened around 250 branches in H1FY20 and is looking to open another 300 branches this year.

☐ Advance is expected to grow by 15% YoY with each segment contributing to the growth. Bank has raised QIP during the last quarter which has enhanced it tier 1 capital to 14.04% and CRAR to 18.45% which would provide cushion to bank in the tense environment. The management as highlighted that the raised QIP would be idle for it to grow at around 20% CAGR for next 2 to 3 years.

☐ The asset quality during the quarter is expected to improve. However the stress in the SME segment is expected to keep the slippages at higher levels. Bank currently has funded and non funded stress book of around Rs 10000 Cr

Key Trackable this Quarter

- ☐ Outlook of stress Pool.
- ☐ loan book growth

We value the stock at 2.2x P/BV FY21E. HOLD

BANDHAN IN

CMP 499
Target 575
Upside 15%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	19.5%	19.0%	26.6%	25.7%
Roa%	3.6%	3.9%	4.8%	4.5%
Div Yield%	0.00%	0.84%	1.86%	1.86%
Book Value	79	94	98	128
P/B	6.0	5.2	5.1	3.9

	Pre Merger		Pre merger				
	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
AUM	29,713	39,643	71,160	89,662	33,873	59,786	62,827
<i>AUM Growth%</i>	76%	33%	79%	26%	48%	88%	85%
Borrowings	285	521	15,631	13,005	260	16,521	15,497
Deposit	33,869	43,232	60,305	77,967	34,639	49,195	52,356
<i>Deposit Growth%</i>	46%	28%	39%	29%	37%	49%	51%
GNPA%	1.3%	2.0%	1.8%	1.8%	2.4%	1.8%	1.8%
NNPA%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%
Net Interest Income	3,032	4,496	6,598	8,624	1,124	1,575	1,529
<i>NII Gr%</i>	26%	48%	47%	31%	54%	42%	50%
Opex	1,308	1,811	2,423	3,081	202	250	257
<i>Opex Growth%</i>	28%	38%	34%	27%	45%	34%	34%
Pre-provision Profit	2,430	3,748	5,606	7,188	900	1,307	1,362
<i>PPP Gr%</i>	36%	54%	50%	28%	57%	50%	51%
Provisions	374	735	777	952	378	146	254
Net Profits	1,346	1,952	3,599	4,665	331	972	829
<i>Profit Gr%</i>	21%	45%	84%	30%	10%	99%	150%
NIM%	9.3%	9.6%	9.3%	8.5%	10.4%	8.7%	8.5%
Cost to Income%	35%	33%	30%	30%	34%	31%	31%

Conso/Fig in Rs Cr

☐ NII is expected to grow by 49.5%/10% on YoY/ QoQ basis (YoY numbers not comparable on account of merger with gruh finance) on account of healthy AUM growth and stable yield on advance. Profitability of the bank is expected to be boosted on account of the lower tax rate which bank opted during the last quarter.

☐ Asset quality is expected to be moderately affected during the quarter on account of various protests in the north eastern regions which might affect the collection efficiency.

☐ AUM growth is expected to be 5% QoQ (YoY not Comparable due to Gruh finance merger) on AUM growth during the quarter might be affected on account of the protest in north eastern region.

☐ Cost to income ratio is expected to be around 31% YoY. The employee expense is expected to grow by 39% YoY while the other expense is expected to grow by 27% YoY.

☐ Tier 1 capital of the banks stood at 25.1% (Including current years profits it would be around 28.45%) which is pretty strong and provides and gives enough cushion for the bank to grow.

Key Trackable this Quarter

- ☐ Asset quality in north eastern region -due to various protests
- ☐ AUM growth

We value the stock at 4.5x P/BV FY21E. BUY

BOB IN

CMP 104
Target 136
Upside 31%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	-5.8%	1.0%	5.5%	6.4%
Roa%	-0.34%	0.06%	0.34%	0.41%
Div Yield%	0.0%	0.0%	0.0%	1.4%
BVPS	164	173	160	170
P/B	0.87	0.60	0.65	0.61

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	4,27,432	4,68,819	6,77,439	7,31,635	4,48,679	6,37,340	656439
<i>Adv Growth%</i>	12%	10%	44%	8%	12%	47%	46%
Deposits	5,91,315	6,38,690	9,54,140	10,45,192	6,10,569	8,94,130	924562
<i>Dep Growth%</i>	-2%	8%	49%	10%	7%	47%	51%
CD Ratio%	72%	73%	71%	70%	73%	71%	71%
GNPA%	12.3%	9.6%	9.9%	8.1%	11.0%	10.3%	10.3%
NNPA%	5.5%	3.3%	3.4%	2.8%	4.3%	3.9%	3.6%
Slippages %	7.3%	3.9%	6.0%	3.8%	0.9%	1.2%	1.0%
Net Interest Income	15,522	18,684	27,899	30,653	4,743	7,028	7,180
<i>NII Gr%</i>	15%	20%	49%	10%	8%	56%	51%
Other Income	6,657	6,091	8,803	9,282	1,621	2,824	2,166
<i>Other Inc Gr%</i>	-1%	-9%	45%	5%	-3%	109%	34%
Pre-provision Profit	12,006	13,487	18,646	19,968	3,539	5,336	4,579
<i>PPP Gr%</i>	9%	12%	38%	7%	-3%	73%	29%
Provisions	14,796	12,789	13,730	12,535	2,794	4,209	3,234
Net Profits	(2,432)	434	3,293	4,905	471	737	888
<i>Profit Gr%</i>	-276%	118%	660%	49%	322%	73%	88%
NIM% (Cal.)	2.3%	2.6%	3.1%	2.8%	2.7%	2.8%	2.9%
Cost to Income%	46%	46%	49%	50%	44%	46%	51%

Note:YoY numbers for quarters not comparable due to amalgamation

Std/Fig in Rs Cr

□ BOB is expected to report advances growth of 46% YoY(on the account of amalgamation(actual growth 3% YoY) in 3QFY20 on the account of slow growth in SME and corporate segment and impact of merger with Dena bank and Vijaya Bank to be there in the near term on the growth. However management guided Advances growth of 11% YoY for FY20.

□ Asset quality is expected to remain an area of concern in the near term.Although bank has been able to recover Rs 115 Cr from Ruchi Soya account in 3QFY20 ,Recovery from big stressed account is still remaining. Management expects recovery of Rs 9450 Cr in next 6 months whereas slippages are expected to be Rs 4000-4500 Cr in 3QFY20.Credit cost is expected to come down going ahead.

□ C/I ratio is expected to remain elevated in the near term. However due to slow growth in advances NII is expected to grow by 2% QoQ. Margins are expected to remain stable in 3QFY20.PAT growth is expected to be 49% for FY21 on the account of lower provisioning expected going ahead.

Key Trackable this Quarter

- Slippages Trend
- Advances growth trend

We value the stock at 0.8x P/BV FY21E. BUY

BOI IN

CMP 71
Target 79
Upside 11%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	-17.8%	-13.6%	3.1%	5.6%
Roa%	-0.98%	-0.90%	0.23%	0.43%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	204	168	146	153
P/B	0.51	0.62	0.49	0.46

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	3,41,380	3,41,006	3,47,826	3,61,739	3,31,114	3,34,800	337736
<i>Adv Growth%</i>	-7%	0%	2%	4%	-6%	-2%	2%
Deposits	5,20,854	5,20,862	5,19,143	5,31,969	5,15,128	5,18,037	519594
<i>Dep Growth%</i>	-4%	0%	0%	2%	-2%	1%	1%
CD Ratio%	66%	65%	67%	68%	64%	65%	65%
GNPA%	16.6%	15.8%	15.9%	14.8%	16.3%	16.3%	16.6%
NNPA%	8.3%	5.6%	5.4%	5.0%	5.9%	5.9%	5.6%
Slippages %	11.0%	5.7%	5.1%	3.1%	1.4%	1.0%	2.0%
Net Interest Income	10,506	13,658	14,955	15,923	3,332	3,860	3,805
<i>NII Gr%</i>	-11%	30%	9%	6%	33%	32%	14%
Other Income	5,734	5,132	6,615	6,334	1,669	1,327	2,702
<i>Other Inc Gr%</i>	-15%	-10%	29%	-4%	60%	29%	62%
Pre-provision Profit	7,139	8,092	10,648	10,461	2,273	2,460	3,579
<i>PPP Gr%</i>	-27%	13%	32%	-2%	68%	49%	57%
Provisions	15,772	16,806	8,457	6,302	9,001	2,052	2,522
Net Profits	(6,044)	(5,547)	1,449	2,744	(4,738)	266	698
<i>Profit Gr%</i>	NA	-8%	NA	89%	N/A	N/A	N/A
NIM% (Cal.)	1.9%	2.4%	2.6%	2.7%	2.4%	2.8%	2.7%
Cost to Income%	56%	57%	51%	53%	55%	53%	45%

Std/Fig in Rs Cr

□ Bank is expected to have NII growth of 14% YoY with improving NIM on account improvement in yield on advance and steady cost of fund.

□ During the quarter bank is expected to recover around Rs 1800 Cr from the Essar steel resolution which will boost the profitability however management has guided for provisioning on DHFL during the quarter which might take away some of that gain. Management expects recovery of more than Rs 6000 Cr during H2FY20.

□ Asset quality during the quarter is expected to be affected on account of DHFL expected to slip which will overshadow the recoveries from Essar steel.

□ Management has said that it has initiated a process of QIP worth Rs 2500 Cr out of which Rs 1000 Cr will be under green shoe option. QIP is expected to be initiated during Q4FY20.

Key Trackable this Quarter

- Recoveries Under Samadhan Scheme
- Stress accruing from SME segment
- Management

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

CBK IN

CMP 228
Target 227
Upside 0%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	-12.2%	1.0%	4.2%	7.0%
Roa%	-0.70%	0.05%	0.21%	0.36%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	486	480	471	505
P/B	0.54	0.61	0.48	0.45

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	3,81,703	4,27,727	4,49,113	4,58,734	4,17,227	4,29,319	438089
<i>Adv Growth%</i>	12%	12%	5%	2%	12%	5%	5%
Deposits	5,24,772	5,99,033	6,15,224	6,28,403	5,75,525	6,09,436	617026
<i>Dep Growth%</i>	6%	14%	3%	2%	14%	10%	7%
CD Ratio%	73%	71%	73%	73%	72%	70%	71%
GNPA%	11.8%	8.8%	8.6%	7.9%	10.3%	8.7%	8.8%
NNPA%	7.5%	5.4%	4.9%	4.5%	6.4%	5.2%	5.1%
Slippages %	7.7%	4.4%	3.5%	2.9%	1.3%	0.6%	1.2%
Net Interest Income	12,163	14,478	12,923	14,820	3,814	3,130	3,206
<i>NII Gr%</i>	23%	19%	-11%	15%	4%	-5%	-16%
Other Income	6,943	6,575	7,658	7,788	1,325	2,070	1,840
<i>Other Inc Gr%</i>	-8%	-5%	16%	2%	-15%	33%	39%
Pre-provision Profit	9,548	10,591	10,124	11,304	2,357	2,545	2,523
<i>PPP Gr%</i>	7%	11%	-4%	12%	-17%	9%	7%
Provisions	16,109	12,918	7,995	7,823	1,977	2,038	2,006
Net Profits	(4,222)	347	1,506	2,576	318	365	388
<i>Profit Gr%</i>	-476%	-108%	334%	71%	153%	22%	22%
NIM% (Cal.)	2.2%	2.4%	2.0%	2.2%	2.6%	1.9%	2.0%
Cost to Income%	50.0%	49.7%	50.8%	50.0%	54.1%	51.1%	48.5%

Std/Fig in Rs Cr

☐ Margin is expected to remain under pressure with a fall in the MCLR rate and higher cost of the fund. Management has taken up the measure to improve overseas yield to improve NIM.

☐ Growth is majorly driven by the retail segment with a continuous decline in the share of the corporate segment to 41% from 44% YoY. We expect loan growth to remain muted at 5% as at 2QFY20 on the back of higher focus on the merger .

☐ CRISIL has placed 'Rating Watch with Developing Implications' on long term debt instruments, on the back of impending merger approvals. The board has given in-principle approvals for the merger.

☐ The slippage ratio has been improving with the focus on the recovery through the IBC route. Mainly the slippages are pertaining to agriculture with drought conditions in Tamil Nadu and weak crop outlook in other states. We expect slippages to remain high on the back of DHFL (exposure of Rs 2400 Cr) slipping this quarter while Essar steel resolution (Rs 3400 Cr with provision up to 80%) is expected to provide some relief.

Key Trackable this Quarter

- ☐ Credit cost trends going ahead.
- ☐ Amalgamation plan with Syndicate bank.

We value the stock at 0.45x P/BV FY21E. NEUTRAL

CUBK IN

CMP 230
Target 219
Upside -5%
Rating NEUTRAL

	FY18	FY19E	FY20E	FY21E
Roe%	15.3%	15.2%	13.8%	13.8%
Roa%	1.6%	1.6%	1.5%	1.4%
Div Yield%	0.19%	0.25%	0.26%	0.26%
BVPS	57.3	66.1	75.2	85.6
P/B	2.7	3.1	3.1	2.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	27,853	32,673	36,921	42,828	30,322	32,760	34264
<i>Adv Growth%</i>	17%	17%	13%	16%	18%	11%	13%
Deposits	32,853	38,448	44,483	51,600	35,504	40,451	41282
<i>Dep Growth%</i>	9%	17%	16%	16%	13%	17%	16%
CD Ratio%	85%	85%	83%	83%	85%	81%	83%
GNPA%	3.0%	3.0%	3.6%	3.7%	2.9%	3.4%	3.6%
NNPA%	1.7%	1.8%	2.0%	2.1%	1.7%	1.9%	2.0%
Slippages %	2.5%	2.3%	2.7%	0.0%	0.6%	0.6%	0.7%
Net Interest Income	1,430	1,611	1,694	1,931	418	412	426
<i>NII Gr%</i>	19%	13%	5%	14%	15%	3%	2%
Other Income	532	514	665	676	120	195	137
<i>Other Inc Gr%</i>	10%	-3%	29%	2%	-2%	64%	14%
Pre-provision Profit	1,208	1,240	1,368	1,491	307	346	322
<i>PPP Gr%</i>	22%	3%	10%	9%	4%	17%	5%
Provisions	418	315	444	407	79	108	109
Net Profits	592	683	716	811	178	194	159
<i>Profit Gr%</i>	18%	15%	5%	13%	15%	15%	-10%
NIM% (Cal.)	4.0%	4.0%	3.7%	3.6%	4.3%	3.8%	3.8%
Cost to Income%	38.5%	41.7%	42.0%	42.8%	43.0%	42.9%	42.8%

Std/Fig in Rs Cr

☐ NII is expected to grow by 2% YoY on account of moderation in advance growth and subdued NIM on account lower yield on advances and higher cost of funds. Management has guided it would look to maintain NIM around 4%.

☐ Advance is expected to grow by 13% YoY amidst the slowdown in the Retails and MSME segment. The management has guided for the 12-15% growth for FY20.

☐ Other income is expected to grow by 14% YoY while the fee income is expected to grow by 11% YoY.

☐ Asset quality is expected to remain high with slippages expected to be high on account of paper mill account slipping during the quarter.

☐ Cost to income ratio ratio is expected to be higher at 43% with management expecting that minimum opex increase to be around 10-12%.

Key Trackable this Quarter

- ☐ Stress in MSME segment
- ☐ Pickup in loan book growth

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

DCBB IN

CMP 183.2
Target 181
Upside -1%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	9.8%	11.0%	12.2%	15.1%
Roa%	0.90%	0.99%	1.05%	1.29%
Div Yield%	0.46%	0.49%	0.73%	0.88%
BVPS	91	101	112	129
P/B	1.8	2.0	1.6	1.4

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	20,337	23,568	27,103	31,169	22,888	24,798	25864
<i>Adv Growth%</i>	29%	16%	15%	15%	23%	12%	13%
Deposits	24,007	28,435	32,654	37,553	27,509	29,363	31541
<i>Dep Growth%</i>	24%	18%	15%	15%	29%	12%	15%
CD Ratio%	85%	83%	83%	83%	83%	84%	82%
GNPA%	1.8%	1.8%	2.2%	2.3%	1.9%	2.1%	2.2%
NNPA%	0.7%	0.7%	1.1%	1.0%	0.7%	1.0%	1.1%
Slippages %	2.2%	2.1%	2.7%	2.1%	0.5%	0.7%	0.7%
Net Interest Income	995	1,149	1,266	1,427	294	313	322
<i>NII Gr%</i>	25%	15%	10%	13%	17%	11%	10%
Other Income	311	350	400	468	94	101	103
<i>Other Inc Gr%</i>	25%	13%	14%	17%	26%	38%	9%
Pre-provision Profit	525	647	753	957	174	185	194
<i>PPP Gr%</i>	26%	23%	16%	27%	42%	26%	11%
Provisions	139	140	178	198	40	43	46
Net Profits	245	325	401	564	86	91	110
<i>Profit Gr%</i>	23%	33%	23%	40%	51%	24%	27%
NIM% (Cal.)	3.9%	3.7%	3.5%	3.5%	3.9%	3.7%	3.7%
Cost to Income%	59.8%	56.9%	54.8%	49.5%	55.2%	55.5%	54.5%

Std/Fig in Rs Cr

☐ NII is expected to grow by 10% YoY due to slow growth in advances. PAT is expected to grow by 27% YoY. Advances growth is expected to remain sluggish almost half of growth last year on the account of slowdown in MSME segment and degrowth in corporate segment. Movement toward retail will help in better margin build up.

☐ Abu Dhabi Commercial Bank numbers will be consolidated in the bank's books from 3QFY20. The bank has portfolio of RS 700-800 Cr deposits and RS 300-400 Cr advances, largely corporate and AIB segment.

☐ Asset quality is expected to be deteriorating further due to stress in CV segment and expectation of slippages from this segment in next 2 quarters. Credit cost is expected to be high in next quarter.

☐ Margins are expected to remain stable in the near term. Management expects NIM to be at 370-375 bps going ahead. Cost/Average assets stands at 2.5% and is expected to be at 2.25-2.2% in next 2 years time.

☐ ROE is expected to be at around 15% going ahead as per the management.

Key Trackable this Quarter

- ☐ Advances Growth Trend
- ☐ Slippages trend in CV and SME segment

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

EQUITAS IN

CMP 108
Target 100
Upside -7%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	1.4%	3.7%	10.5%	13.4%
Roa%	0.27%	0.60%	1.53%	1.72%
Div Yield%	0.00%	0.00%	0.00%	0.00%
Book Value	67	72	80	91
P/B	2.1	1.5	1.3	1.2

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
AUM	8,107	11,836	15,387	20,003	10,861	13,269	14,119
<i>AUM Growth%</i>	13%	46%	30%	30%	41%	33%	30%
Borrowings	10,607	12,801	16,909	21,981	11,898	14,399	15,516
Deposit	4,719	8,016	11,836	16,002	6,618	10,025	10,861
<i>Deposit Growth%</i>	150%	70%	48%	35%	79%	76%	64%
GNPA%	2.7%	2.5%	2.9%	3.0%	3.1%	2.9%	2.9%
NNPA%	1.4%	1.6%	1.6%	1.6%	1.8%	1.6%	1.6%
Net Interest Income	925	1,236	1,544	1,921	320	378	389
<i>NII Gr%</i>	8%	34%	25%	24%	36%	36%	21%
Opex	891	1,027	1,158	1,407	263	289	288
<i>Opex Growth%</i>	45%	15%	13%	21%	14%	23%	10%
Pre-provision Profit	223	373	529	693	123	122	136
<i>PPP Gr%</i>	-37%	67%	42%	31%	192%	14%	11%
Provisions	172	101	119	173	24	35	34
Net Profits	31	176	272	389	63	41	76
<i>Profit Gr%</i>	-80%	462%	54%	43%	310%	-17%	21%
NIM%	8.8%	9.5%	9.6%	9.2%	9.7%	10.3%	10.1%
Cost to Income%	80%	73%	69%	67%	68%	70%	68%

Conso/Fig in Rs Cr

☐ AUM growth is expected to be muted at 30% YoY given the current microeconomic conditions and further near term growth will be impacted on account on regulatory restrictions regarding branch expansion by RBI.

☐ NII growth is expected to moderate down to 21% YoY on account of lower yield on advance due to change in portfolio mix towards lower yielding assets and slow advance growth. The profitability

☐ Asset quality is expected to deteriorate further given the current microeconomic conditions and stress in the MSME and Auto sectors.

☐ The Listing of the small finance bank remains the most important thing for equitas holding its has filed the red herring prospectus.

Key Trackable this Quarter

- ☐ Update on listing of Equitas small finance bank
- ☐ AUM growth

We value the stock at 1.1x P/BV FY21E. NEUTRAL

FB IN

CMP 92
Target 99
Upside 7%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	8.3%	9.8%	12.0%	14.0%
Roa%	0.69%	0.84%	0.99%	1.13%
Div Yield%	1.1%	1.5%	1.8%	2.0%
BVPS	62	67	74	83
P/B	1.4	1.4	1.2	1.1

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	91,957	1,10,223	1,24,552	1,46,971	1,05,550	1,15,893	118216
<i>Adv Growth%</i>	25%	20%	13%	18%	24%	13%	12%
Deposits	1,11,992	1,34,954	1,50,063	1,77,074	1,23,457	1,39,547	142429
<i>Dep Growth%</i>	15%	21%	11%	18%	23%	18%	15%
CD Ratio%	82%	82%	83%	83%	85%	83%	83%
GNPA%	3.0%	2.9%	3.4%	3.1%	3.1%	3.1%	3.3%
NNPA%	1.7%	1.5%	1.7%	1.5%	1.7%	1.6%	1.6%
Slippages %	2.8%	1.8%	1.9%	0.9%	0.4%	0.5%	0.5%
Net Interest Income	3,583	4,176	4,699	5,530	1,077	1,124	1,173
<i>NII Gr%</i>	17%	17%	13%	18%	13%	10%	9%
Other Income	1,159	1,351	1,625	1,825	346	421	402
<i>Other Inc Gr%</i>	7%	17%	20%	12%	51%	30%	16%
Pre-provision Profit	2,291	2,763	3,119	3,714	708	719	787
<i>PPP Gr%</i>	19%	21%	13%	19%	26%	3%	11%
Provisions	947	856	904	813	190	252	263
Net Profits	879	1,244	1,666	2,171	334	417	392
<i>Profit Gr%</i>	6%	42%	34%	30%	28%	57%	18%
NIM% (Cal.)	3.0%	3.0%	2.9%	3.0%	3.2%	3.0%	3.0%
Cost to Income%	51.7%	50.0%	50.7%	49.5%	50.3%	53.5%	50.0%

Std/Fig in Rs Cr

☐ Advances growth is expected to be slow at 12% YoY mainly coming from retail advances. The management guided the growth to be 15% YoY for FY20.

☐ Slippages are expected to remain high and asset quality is expected to deteriorate further in 3QFY20 on the account of bank's exposure to some stressed assets. Exposure to two HFCs mentioned last quarter is still standard and the bank has made significant provisions for these assets. The IL&FS account is fully performing one and is likely to be sold. At the beginning of year the bank mentioned 4 accounts totalling Rs 700 Cr which may slip in the entire year FY20. The management holds the earlier guidance of credit cost at 60 bps for FY20.

☐ NII is expected to grow by 9% YoY on the back of slow advances growth. C/I ratio is expected to decline QoQ due to one off impact of pensioning impact and wage negotiation in last quarter.

☐ Margins are likely to improve in near term as some liability repricing benefit is expected from 3QFY20 which is expected to give cushion to the margins. The bank is no longer disbursing loans which are linked to T-bills.

Key Trackable this Quarter

- ☐ Slippages Trend
- ☐ Advances growth

We value the stock at 1.2x P/BV FY21E. HOLD

HDFCB IN

CMP 1286
Target 1485
Upside 15%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	17.87%	16.50%	16.45%	19.13%
Roa%	1.81%	1.83%	1.93%	2.16%
Div Yield%	0.69%	0.66%	0.86%	0.93%
BVPS	205	274	311	362
P/B	4.6	4.1	4.1	3.6

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	658333	819401	983281	1179937	780951	896984	937141
<i>Adv Growth%</i>	19%	24%	20%	20%	24%	19%	20%
Deposits	788771	923141	1143350	1372020	852502	1021615	1077174
<i>Dep Growth%</i>	23%	17%	24%	20%	22%	23%	26%
CD Ratio%	83%	89%	86%	86%	92%	88%	87%
GNPA%	1.3%	1.4%	1.4%	1.2%	1.4%	1.4%	1.4%
NNPA%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
Slippages %	2.3%	2.2%	1.7%	1.4%	0.6%	0.5%	0.6%
Net Interest Income	40095	48243	55291	66566	12577	13515	13917
<i>NII Gr%</i>	21%	20%	15%	20%	22%	15%	11%
Other Income	15220	17626	21885	25384	4921	5589	5623
<i>Other Inc Gr%</i>	24%	16%	24%	16%	27%	39%	14%
Pre-provisioning Profit	32625	39750	47467	57202	10778	11698	12056
<i>PPP Gr%</i>	27%	22%	19%	21%	28%	23%	12%
Provisions	5927	7550	10706	10003	2212	2701	2751
Net Profits	17487	21078	26303	35319	5586	6345	6963
<i>Profit Gr%</i>	20%	21%	25%	34%	20%	27%	25%
NIM% (Cal.)	4.6%	4.6%	4.3%	4.3%	4.6%	4.4%	4.3%
Cost to Income%	41.0%	39.7%	38.5%	37.8%	38.4%	38.8%	38.3%

Std/Fig in Rs Cr

□ NII is expected to grow by 11% YoY with moderation of loan growth and lower yield on advances. Linking of loan book to external benchmark effect the NIM to certain extent going forward. Management said that MSME portfolio may see a marginal hit due to shift to the external benchmark.

□ The loan book is expected to grow by 20% YoY. The loan book growth is expected to be aided by the festival season . The corporate segment is expected to grow by 28% YoY while the retail segment is expected to gro by 14% YoY

□ The other income is expected to grow by 14% YoY while the fee income is expected to grow by 18% YoY.

□ The asset quality is expected to be moderately affected due to the seasonal slippages from the agri segment

□ The deposit growth is expected to be around 26% YoY. While the CASA is expected to be around 39.5%.

Key Trackable this Quarter

- Pick up in loan book growth.
- Delinquencies in agri segment

We value the stock at 4.1x P/BV FY21E. BUY

ICICIB IN

CMP 541
Target 567
Upside 5%
Rating HOLD

	FY18	FY19	FY20E	FY21E
Roe%	6.6%	3.2%	10.4%	14.2%
Roa%	0.82%	0.36%	1.16%	1.57%
Div Yield%	0.54%	0.25%	0.46%	0.92%
BVPS	164	168	185	210
P/B	1.7	2.4	2.9	2.6

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	5,12,395	5,86,647	6,62,911	7,62,347	5,64,308	6,13,359	6,37,668
<i>Adv Growth%</i>	10%	14%	13%	15%	12%	13%	13%
Deposits	5,60,975	6,52,920	7,53,308	8,51,785	6,06,755	6,96,273	7,24,623
<i>Dep Growth%</i>	14%	16%	15%	13%	17%	25%	19%
CD Ratio%	91%	90%	88%	90%	93%	88%	88%
GNPA%	8.8%	6.7%	5.9%	4.6%	7.8%	6.4%	6.1%
NNPA%	4.8%	2.1%	1.4%	1.2%	2.6%	1.6%	1.4%
Slippages %	6.8%	2.6%	2.0%	1.9%	0.4%	0.4%	0.6%
Net Interest Income	23,026	27,015	33,142	37,744	6,875	8,057	8,616
<i>NII Gr%</i>	6%	17%	23%	14%	21%	26%	25%
Other Income	17,420	14,512	15,811	17,698	3,883	4,194	4,081
<i>Other Inc Gr%</i>	-11%	-17%	9%	12%	23%	33%	5%
Pre-provisioning Profit	24,742	23,438	27,553	32,288	6,146	6,874	7,181
<i>PPP Gr%</i>	-7%	-5%	18%	17%	22%	31%	17%
Provisions	17,307	19,661	8,031	8,127	4,244	2,507	728
Net Profits	6,777	3,363	11,810	18,073	1,605	655	4,827
<i>Profit Gr%</i>	-31%	-50%	251%	53%	-3%	-28%	201%
NIM% (Cal.)	3.0%	3.2%	3.5%	3.6%	3.4%	3.7%	3.8%
Cost to Income%	38.8%	43.6%	43.7%	41.8%	42.9%	43.9%	45.5%

Std/Fig in Rs Cr

☐ NII is expected to grow by 26% YoY on the back of improving NIM and stable advance growth. The profitability of the bank is expected to be boosted on the back of improving asset quality, strong recoveries from essar steel and reduction in tax rate.

☐ Asset quality is expected to be affected due to agri slippages and the exposure to the DHFL. However the recovery from the essar steel and ruchi soya would set off the effect. The bank has healthy PCR of 76% which augurs well for the bank. However the trend of BB&Below book needs to be seen.

☐ Loan book is expected to grow by 13/4% on YoY/QuQ basis with across retail and advance book however growth in SME segment would be one to watch out for.

☐ Other income is expected to grow by 5% YoY with fee income growing by 15% YoY. The cost to income ratio is expected to be around 45% with bank looking to add a total of 450 branches in FY20.

Key Trackable this Quarter

- ☐ Movement in BB & Below rated book
- ☐ Slippages from SME & Agri Segment.

We value the stock at 2.7x P/BV FY21E. HOLD

IIB

CMP 1529
Target 1724
Upside 13%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	16.2%	13.1%	18.0%	18.7%
Roa%	1.8%	1.3%	1.9%	2.1%
Div Yield%	0.42%	0.42%	0.56%	0.69%
BVPS	397	443	524	638
P/B	4.5	4.0	2.9	2.4

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	1,44,954	1,86,394	223673	272881	1,73,169	1,97,113	207803
<i>Adv Growth%</i>	28%	29%	20%	22%	35%	21%	20%
Deposits	1,51,639	1,94,868	232993	287243	1,75,701	2,07,193	216461
<i>Dep Growth%</i>	20%	29%	20%	23%	20%	23%	23%
CD Ratio%	96%	96%	96%	95%	99%	95%	96%
GNPA%	1.2%	2.1%	2.3%	2.1%	1.1%	2.2%	2.3%
NNPA%	0.5%	1.2%	1.1%	0.8%	0.6%	1.1%	1.1%
Slippages %	1.6%	2.9%	1.8%	1.2%	0.5%	0.6%	0.6%
Net Interest Income	7,497	8,846	11,944	14,491	2,288	2,910	3,016
<i>NII Gr%</i>	24%	18%	35%	21%	21%	32%	32%
Other Income	4,750	5,647	7013	8024	1,469	1,727	1766
<i>Other Inc Gr%</i>	14%	19%	24%	14%	24%	31%	20%
Pre-provisioning Profit	6,656	8,088	10687	12608	2,117	2,600	2678
<i>PPP Gr%</i>	22%	22%	32%	18%	27%	30%	27%
Provisions	1,175	3,108	2841	2431	607	738	810
Net Profits	3,606	3,301	5677	7616	985	1,383	1398
<i>Profit Gr%</i>	26%	-8%	72%	34%	5%	50%	42%
NIM% (Cal.)	4.0%	3.8%	4.2%	4.2%	4.1%	4.4%	4.4%
Cost to Income%	46%	44%	44%	44%	44%	44%	44%

Std/Fig in Rs Cr

☐ NII is expected to grow by 4% QoQ (YoY data is not comparable due to bharat fin merger) with stable Yield on advance and reduction in cost of funds.

☐ Bank has stressed exposure three groups from Media/ Diversified / Housing Finance sectors of 1.1%, further the bank had exposure worth 0.35% and 0.45% to financing and real state business of an and HFC group which might affect the asset quality during the quarter. However management said they are seeing good repayment in stressed accounts which will improve asset quality.

☐ Advance are expected to grow at moderate pace of 20% with slowdown in the SME and corporate segment. Loan book is expected to grow by 5% QoQ.

☐ Fee income is expected to grow by 6% QoQ while the other income is expected to grow by 2% QoQ. Cost to income ratio is expected to be around 44% with bank looking to take its branch network to around 2000 by the year end.

Key Trackable this Quarter

- ☐ Exposure to stressed account
- ☐ Loan book growth

We value the stock at 2.7x P/BV FY21E. BUY

CMP 60
Target 56
Upside -7%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	6.1%	3.3%	5.7%	11.5%
Roa%	0.54%	0.31%	0.52%	1.03%
Div Yield%	0.59%	0.83%	1.66%	3.33%
BVPS	78	80	84	93
P/B	1.2	0.9	0.7	0.6

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	44,800	48,581	51,982	56,660	46,005	47,102	46925
<i>Adv Growth%</i>	10%	8%	7%	9%	5%	1%	2%
Deposits	56,890	59,868	66,643	72,641	58,624	62,213	62152
<i>Dep Growth%</i>	6%	5%	11%	9%	3%	7%	6%
CD Ratio%	79%	81%	78%	78%	78%	76%	76%
GNPA%	6.6%	8.8%	8.5%	8.6%	8.5%	8.9%	9.0%
NNPA%	4.2%	5.0%	3.9%	3.9%	5.0%	4.5%	4.4%
Slippages %	5.2%	5.5%	3.7%	3.2%	2.0%	0.9%	0.9%
Net Interest Income	2,298	2,363	2,401	2,633	581	596	599
<i>NII Gr%</i>	11%	3%	2%	10%	3%	3%	3%
Other Income	900	963	1,122	1,020	260	278	314
<i>Other Inc Gr%</i>	15%	7%	17%	-9%	16%	58%	21%
Pre-provision Profit	1,777	1,711	1,816	1,947	425	431	477
<i>PPP Gr%</i>	13%	-4%	6%	7%	1%	19%	12%
Provisions	1,274	1,389	1,313	851	400	365	370
Net Profits	346	211	377	820	21	63	80
<i>Profit Gr%</i>	-43%	-39%	79%	117%	-70%	-24%	275%
NIM% (Cal.)	3.8%	3.7%	3.5%	3.5%	3.7%	3.6%	3.6%
Cost to Income%	44.4%	48.6%	48.5%	46.7%	49.4%	50.7%	47.8%

Std/Fig in Rs Cr

❑ Advances growth is expected to be muted at 2% YoY in 3QFY20 on the account of stress in SME sector and corporate segment. Management has guided moderated advances growth of 10% in FY20.

❑ Asset quality is expected to remain deteriorated due to stress in MSME portfolio. Although Management has revised slippage guidance from Rs 1800 Cr to Rs 2200 Cr in FY20 but the number should improve from previously guided Rs 1100 Cr on net basis on the account of higher recoveries going ahead. Slippage in Agri segment is also an area of concern. PCR is guided to be in range of 55-60%.

❑ NII is expected to grow by 3% YoY driven by slow advances growth.

❑ Fee income is expected to moderate in 3Q and 4Q due to renewal of accounts but total other income is expected to grow by 21% YoY including recovery of Rs 101 Cr from resolution of Ruchi Soya account.

❑ Margins are expected to improve going ahead due to increase in retail share, pricing power and moderating cost of deposits.

Key Trackable this Quarter

❑ Sluggish growth in advances may have an adverse impact.

❑ Slippages in MSME segment

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

KMB IN

CMP 1671
Target 2113
Upside 26%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	12.5%	12.2%	14.2%	15.2%
Roa%	1.7%	1.7%	2.0%	2.1%
Div Yield%	0.07%	0.06%	0.05%	0.06%
BVPS	197	222	255	296
P/B	5.3	6.0	6.6	5.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	1,69,718	2,05,695	2,34,492	2,81,391	1,96,432	2,13,299	221968
<i>Adv Growth%</i>	25%	21%	14%	20%	23%	15%	13%
Deposits	1,92,643	2,25,880	2,60,547	3,19,762	2,13,804	2,33,071	241270
<i>Dep Growth%</i>	22%	17%	15%	23%	18%	13%	13%
CD Ratio%	88%	91%	90%	88%	92%	92%	92%
GNPA%	2.4%	2.4%	2.4%	2.4%	2.1%	2.3%	2.5%
NNPA%	1.0%	0.8%	1.0%	0.8%	0.7%	0.9%	1.0%
Net Interest Income	9,532	11,259	13,639	15,583	2,939	3,350	3,488
<i>NII Gr%</i>	17%	18%	21%	14%	23%	25%	19%
Other Income	4,052	4,604	5,109	5,956	964	1,224	1,243
<i>Other Inc Gr%</i>	17%	14%	11%	17%	-7%	2%	29%
Pre-provision Profit	7,158	8,348	10,265	12,173	1,938	2,509	2,607
<i>PPP Gr%</i>	20%	17%	23%	19%	7%	20%	34%
Provisions	940	962	1,559	1,496	(32)	408	435
Net Profits	4,084	4,865	6,468	7,987	1,291	1,724	1,624
<i>Profit Gr%</i>	20%	19%	33%	23%	23%	51%	26%
NIM% (Cal.)	4.2%	4.1%	4.3%	4.3%	3.9%	4.0%	4.1%
Cost to Income%	47%	47%	45%	43%	50%	45%	45%

Std/Fig in Rs Cr

□ With the cost of saving has declined to 5.36% and higher risk adjusted return management has guided NIM to remain at higher than 4.3%. In Kotak up to 70% of the book is floating rate which helps in successful transmission of the cost. Strong CASA at 53% supports NIM expansion.

□ The SMA 2 has increased to 19 bps of the total portfolio we expect the credit cost to remain elevated going ahead. We remain cautious with the rising delinquency in the CV portfolio, agri loans and the unsecured portfolio. Management has guided to keep the credit cost at an elevated 60 bps level for the FY20.

□ The incremental growth is expected to be majorly driven by retail segment with a drag in the corporate and business banking segment in the 1HFY20, management has optimistically guided to grow the book in the mid teens.

□ Promoter could pare 5-10% stake in Kotak Bank as promoter holds 30% stake as at 2QFY20 while the regulatory norm is to hold upto 20% stake in financial bank.

Key Trackable this Quarter

- Promoter stake in the bank.
- Stress in the SME segment may effect growth

We value the stock on SOTP basis. (Lending Business at 4x P/BV FY21E and subsidiaries valuation of Rs 699). BUY

RBK IN

CMP 369
Target 334
Upside -9%
Rating NEUTRAL

	FY18	FY19E	FY20E	FY21E
Roe%	11.5%	12.2%	7.0%	14.5%
Roa%	1.1%	1.2%	0.7%	1.5%
Div Yield%	0.44%	0.40%	0.89%	1.08%
BVPS	159	177	212	240
P/B	3.0	3.8	1.7	1.5

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	40,268	54,308	66,256	86,132	49,893	58,476	60869
<i>Adv Growth%</i>	37%	35%	22%	30%	35%	27%	22%
Deposits	43,902	58,394	71,243	92,616	52,187	62,829	65451
<i>Dep Growth%</i>	27%	33%	22%	30%	35%	31%	25%
CD Ratio%	92%	93%	93%	93%	96%	93%	93%
GNPA%	1.4%	1.4%	3.4%	2.9%	1.4%	2.6%	3.4%
NNPA%	0.8%	0.7%	1.6%	1.3%	0.7%	1.6%	1.7%
Slippages %	1.9%	1.8%	4.9%	1.8%	0.5%	2.4%	1.2%
Net Interest Income	1,766	2,539	3,458	4,311	655	869	845
<i>NII Gr%</i>	45%	44%	36%	25%	40%	46%	29%
Other Income	1,068	1,442	1,838	2,166	374	442	438
<i>Other Inc Gr%</i>	41%	35%	27%	18%	45%	33%	17%
Pre-provision Profit	1,331	1,940	2,552	3,174	498	636	610
<i>PPP Gr%</i>	45%	46%	32%	24%	49%	42%	22%
Provisions	365	641	1,618	950	161	533	522
Net Profits	635	867	640	1,664	225	54	65
<i>Profit Gr%</i>	42%	37%	-26%	160%	36%	-73%	-71%
NIM% (Cal.)	3.4%	3.8%	4.2%	4.1%	4.2%	4.6%	4.2%
Cost to Income%	53.0%	51.3%	51.8%	51.0%	51.6%	51.5%	52.5%

Std/Fig in Rs Cr

☐ NII growth is expected to slow down to 29% YoY owing to below par advance growth and lowering of NIM .

☐ Asset quality is expected to deteriorate further with stressed pool at Rs 1800 Cr . The stress in the loan book is expected to impact the profitability and hence affecting the operating performance.

☐ Advances are expected to grow by 22% YoY with management guiding the slowdown in growth of the wholesale segment.

☐ Fee income is expected to grow by 21% YoY owing to growth in the credit card business while the other income is expected to grow by 17% YoY.

☐ Bank has recently boosted its Tier 1 Capital by raising funds through QIP. The tier 1 capital of the bank post QIP stands at 14.3% while the total capital adequacy ratio stands at 15.3%

Key Trackable this Quarter

- ☐ Trend in the stress pool
- ☐ Advance Growth

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

SBIN IN

CMP **340**
Target **384**
Upside **13%**
Rating **BUY**

	FY18	FY19	FY20E	FY21E
Roe%	-3.2%	0.4%	9.4%	10.4%
Roa%	-0.21%	0.02%	0.57%	0.63%
Div Yield%	0.0%	0.0%	1.47%	1.76%
BVPS	246	248	272	295
P/B	1.02	1.29	1.25	1.15

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	1934880	2185877	2404465	2693000	2047779	2146160	2252557
<i>Adv Growth%</i>	23%	13%	10%	12%	12%	10%	10%
Deposits	2706343	2911386	3249277	3590667	2830538	3033396	3085694
<i>Dep Growth%</i>	32%	8%	12%	11%	7%	8%	9%
CD Ratio%	71%	75%	74%	75%	72%	71%	73%
GNPA%	10.9%	7.5%	6.6%	5.7%	8.7%	7.2%	7.1%
NNPA%	5.7%	3.0%	2.6%	2.2%	4.0%	2.8%	2.9%
Slippages%	6.6%	2.2%	2.7%	2.0%	0.4%	0.4%	1.0%
Net Interest Income	74854	88350	98039	105405	22691	24600	25091
<i>NII Gr%</i>	21%	18%	11%	8%	21%	18%	11%
Other Income	44601	36775	51207	41810	8035	12023	19147
<i>Other Inc Gr%</i>	26%	-18%	39%	-18%	-1%	28%	138%
Pre-provisioning Profit	59511	55437	77112	74740	12625	18199	24331
<i>PPP Gr%</i>	17%	-7%	39%	-3%	7%	31%	93%
Provisions	75039	53829	42600	39465	6006	13139	11547
Net Profits	-6547	863	21826	26280	3955	3012	8310
<i>Profit Gr%</i>	-162%	-113%	2429%	20%	-264%	219%	110%
NIM% (Cal.)	2.6%	2.7%	2.8%	2.7%	2.8%	2.9%	3.0%
Cost to Income%	50%	56%	48%	49%	59%	50%	45%

Std/Fig in Rs Cr

☐ NII is expected to grow by 11 % YoY on the back of advance growth of around 10% and strong NIM on account of improvement in asset quality and reducing cost of fund.

☐ Asset quality is be expected to be effected on account DHFL exposure however the recoveries from essar steel of around 12000 and Ruchi soya of around Rs 800 Cr would provide some comfort. Further going forward recoveries are expected from bhushan power which would provide further aid to asset quality

☐ Other income is expected to grow by 138% YoY on account of recoveries on Essar steel which would boost the bottom line however management had indicated they would make provisions against DHFL which would take away the some of the gain.

☐ Bank is looking to list SBI cards in near future. Management said it would list around Q4FY20.

Key Trackable this Quarter

- ☐ Stress assets development in the book
- ☐ Pickup in the loan book growth
- ☐ Management Commentary on Loan waiver by Maharashtra Government

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

UJJIVAN IN

CMP 352
Target 364
Upside 3%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	1.5%	8.3%	15.3%	18.9%
Roa%	0.29%	1.3%	1.9%	2.2%
Div Yield%	23.5%	6.8%	4.7%	3.2%
Book Value	143	155	179	216
P/B	2.4	2.3	2.0	1.6

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
AUM	7,552	11,049	14,916	19,391	9,349	12,863	13,089
<i>AUM Growth%</i>	29%	46%	35%	30%	32%	55%	40%
Borrowings	3,853	4,592	3,993	8,175	9,244	13,600	13,777
Deposit	3,772	7,379	11,474	12,236	5,376	10,130	10,728
<i>Deposit Growth %</i>	1731%	96%	55%	7%	121%	142%	100%
GNPA%	3.6%	0.9%	1.2%	1.2%	1.4%	0.9%	1.0%
NNPA%	0.7%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
Net Interest Income	913	1,226	1,633	2,014	288	418	418
<i>NII Gr%</i>	13%	34%	33%	23%	33%	59%	45%
Opex	662	1,017	1,208	1,371	256	311	307
<i>Opex Growth%</i>	45%	54%	19%	14%	53%	34%	20%
Pre-provision Profit	281	270	555	782	74	125	138
<i>PPP Gr%</i>	236%	66%	112%	169%	-2%	84%	87%
Provisions	236	66	112	169	7	33	29
Net Profits	26	150	310	454	45	63	76
<i>Profit Gr%</i>	-88%	484%	106%	46%	54%	43%	68%
NIM% (Cal.)	11.0%	11.5%	11.1%	10.4%	12.1%	13.0%	12.0%
Cost to Income%	70%	79%	69%	64%	78%	71%	69%

Conso/Fig in Rs Cr

□ In the liquidity crunch, UJJIVAN access to small cost deposits has led to strong growth in this environment. The high share of the retail deposit is a drag in the cost of funds. NII is expected to growth at the rate of 45% range as at 3QFY20.

□ Almost all the asset centers have now been converted to branches, only 4 are left, we expect with the maturing of these branches the C/I ratio is expected to decline going forward.

□ AUM growth is expected to remain strong at 40% YoY, majorly driven by a strong non MFI segment. Management is optimistic about strong disbursement with a higher share of secured Loan Book going ahead. CASA stands improved at 12% as at 3QFY20.

□ Asset quality has shown strong improvements with Par greater than 0 has declined to 1.6 from 1.9% QoQ. We maintain our cautious stance in MSE unsecured book. As almost 40% of the incremental customer are fresh we expect credit cost to remain slightly elevated at 90 bps range.

□ UJJIVAN SFB was listed on Dec 12 2019 at Rs 58, at a premium of 56.76% over its issue price of Rs 37 per share.

Key Trackable this Quarter

- Strengthening of the liability profile.
- Margin pressure on the back of declining MFI portfolio.

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

UNBK IN

CMP 55
Target 57
Upside 4%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	-21.6%	-11.4%	-2.6%	4.8%
Roa%	-1.1%	-0.6%	-0.1%	0.2%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	215	150	146	154
P/B	0.44	0.64	0.38	0.36

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	2,88,761	2,96,932	3,02,871	3,14,986	2,91,890	2,97,914	294809
<i>Adv Growth%</i>	1%	3%	2%	4%	-1%	2%	1%
Deposits	4,08,502	4,15,915	4,45,398	4,63,214	4,02,297	4,42,879	443322
<i>Dep Growth%</i>	8%	2%	7%	4%	1%	11%	10%
CD Ratio%	71%	71%	68%	68%	73%	67%	67%
GNPA%	15.7%	15.0%	14.8%	14.2%	15.7%	15.2%	15.4%
NNPA%	8.4%	6.9%	7.0%	6.7%	8.3%	7.0%	7.2%
Slippages %	8.0%	5.1%	4.9%	4.5%	1.1%	1.5%	1.2%
Net Interest Income	9,305	10,215	10,852	10,344	2,494	2,906	2,720
<i>NII Gr%</i>	5%	10%	6%	-5%	-2%	17%	9%
Other Income	4,990	4,474	4,374	4,362	1,095	1,143	1,091
<i>Other Inc Gr%</i>	1%	-10%	-2%	0%	25%	27%	0%
Pre-provision Profit	7,640	7,521	8,212	7,868	1,750	2,241	2,019
<i>PPP Gr%</i>	3%	-2%	9%	-4%	6%	26%	15%
Provisions	14,281	11,448	9,098	6,155	1,617	3,859	1,852
Net Profits	(5,247)	(2,947)	(689)	1,268	153	(1,194)	129
<i>Profit Gr%</i>	-1045%	44%	-77%	-284%	112%	-959%	-16%
NIM% (Cal.)	2.1%	2.2%	2.3%	2.1%	2.2%	2.5%	2.3%
Cost to Income%	46.6%	48.8%	46.1%	46.5%	51.2%	44.7%	47.0%

Std/Fig in Rs Cr

☐ NII growth is expected to remain muted by 6% majorly on the back of lowering of the MCLR and decline in the CASA%. However, management has been able to pass on higher cost of fund both on the overseas & domestic segment. PAT is expected to remain affected on the back of higher provisioning and muted growth.

☐ Fee income is expected to remain muted on the back of slow growth in corporate segment and majorly it was driven by treasure gain. Net income is expected to grow at 4% YoY.

☐ Advances growth is expected to remain muted on the back of cautious growth in the corporate segment and muted growth in the retail segment. Management has optimistically guided for advances growth of 7-9%.

☐ Asset quality pressure concerns persist as the resolution from the NCLT (40% provision is provided) has not yet materialized. While UNION BANK exposure to DHFL stands at Rs 2015 Cr. While exposure to ESSAR (Rs 2123 Cr with 50% Provision being provided). Bank has remained optimistic that there are no further delinquencies possible in the NBFC/HFC sector. SMA2 book stands at Rs. 13186 Cr for Q2FY20.

Key Trackable this Quarter

- ☐ A check on delinquency will be important.
- ☐ Update on the merger plan.

We value the stock at 0.4x P/BV FY21E. NEUTRAL

YES IN

CMP 48
Target
Upside
Rating Under Review

	FY18	FY19E	FY20E	FY21E
Roe%	17.7%	6.5%	-5.7%	0.6%
Roa%	1.6%	0.50%	-0.42%	0.05%
Div Yield%	0.89%	0.73%	0.0%	0.0%
BVPS	112	116	105	106
P/B	2.7	2.4	0.46	0.46

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Net Advances	2,03,534	2,41,500	2,24,595	2,35,824	2,43,885	2,24,505	224374
<i>Adv Growth%</i>	54%	19%	-7%	5%	42%	-6%	-8%
Deposits	2,00,738	2,27,610	2,09,902	2,24,595	2,22,758	2,09,497	207754
<i>Dep Growth%</i>	41%	13%	-8%	7%	30%	-6%	-7%
CD Ratio%	101%	106%	107%	105%	109%	107%	108%
GNPA%	1.3%	3.2%	10.2%	11.9%	2.1%	7.4%	9.0%
NNPA%	0.6%	1.9%	5.6%	5.0%	1.2%	4.4%	5.3%
Slippages %	4.0%	3.3%	9.4%	3.6%	1.0%	2.6%	2.7%
Net Interest Income	7,737	9,809	8,659	8,355	2,666	2,186	2,160
<i>NII Gr%</i>	33%	27%	-12%	-4%	41%	-10%	-19%
Other Income	5,224	4,590	3,790	3,746	891	946	785
<i>Other Inc Gr%</i>	26%	-12%	-17%	-1%	-37%	-36%	-12%
Pre-provisioning Profit	7,748	8,135	6,156	5,808	1,990	1,458	1,414
<i>PPP Gr%</i>	33%	5%	-24%	-6%	-1%	-38%	-29%
Provisions	1,554	5,778	7,273	5,585	550	1,336	1,908
Net Profits	4,225	1,720	(1,540)	166	1,002	(600)	(368)
<i>Profit Gr%</i>	27%	-59%	-190%	-111%	-7%	-162%	-137%
NIM% (Cal.)	3.1%	3.0%	2.5%	2.5%	3.3%	2.5%	2.6%
Cost to Income%	40.2%	43.5%	50.6%	52.0%	44.0%	53.4%	52.0%

Std/Fig in Rs Cr

❑ YESBANK is expected to remain under pressure on the profitability front during the quarter on account of the high BB&Below which is 10.1% of the advance and degrowth in the loanbook.

❑ NII is expected to be down by 19% YoY with NIM being below par with degrowth loan book and deterioration in asset quality.

❑ Asset quality is expected to be effected with slippages from the BB&BELOW book which is around 10.1% of the total advances. The management has increased its credit cost guidance to 225 bps to 250 bps considering the exposure to cox and king and cg power. The bank has also disclosed divergence which will lead to extra credit cost and moderation of asset quality

❑ Advances are expected to degrow by 8% YoY given the stress in the loan book . The tier 1 capital of the bank stood at 11.5% with CET at 8.7%. The bank had been exploring various capital raising option but there has not been concrete decision regarding the same. The ability of bank to raise capital would be key factor to look at.

Key Trackable this Quarter

- ❑ Capital Raising
- ❑ Trend in BB&Below book

The stock is Under Review

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