

# Indusind Bank

Refer to important disclosures at the end of this report

## Need higher provisioning buffer as asset quality risk rising

**CMP: Rs 527**  
as of (July 28, 2020)

**TP: Rs 550 (▲)**  
12 months

**Rating: HOLD (▼)**

**Upside: 4.4 %**



We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- IIB reported a profit of Rs5.1bn (est. of Rs3.3bn), mainly led by strong NIMs and low opex. The bank made additional Covid-19-related contingent provisions of Rs9bn. Cumulative provisions now stand at Rs12bn (0.6% of loans), lower than larger peers (over 1%).
- The moratorium rate fell from 60% in Phase 1 to 16% (14% ex-MFI) in Phase 2 (retail at 19% vs. 75%, corporate at 9% vs. 22%). 10% of retail customers in Phase 1 have still not started paying and thus, remain under high risk. IIB optimistically guides for a 92bps jump in the GNPA ratio (from 80bps) and LLP to 190bps (65bps over BAU LLP in FY20) in FY21.
- The bank has approved a Rs33bn preferential issue from promoters and other investors at Rs524 per share, which should add 126bps to its Tier I ratio of 14.5%. We cut our estimates for FY21/FY22 by 12/8% and now expect RoA at 1.3%/1.5% in FY21/FY22E.
- The bank's recent move to shore up its capital buffer is comforting, but we believe that the bank needs to further accelerate its contingent provisioning buffer as well in line with large peers and continue to focus on building a granular retail deposit base. We retain Hold with a TP of Rs550 (based on 0.8x Sep 22E ABV).

**Deposit growth picks up after a run-down in Q4, but needs to improve further:** Overall deposit growth was healthy at 5% qoq after a run-down in Q4 in bulk SA and govt deposits. However, SA mobilization still remains subdued and needs to be accelerated further largely via retail deposits. The loan book declined 4% qoq mainly due to the run-down in corporate and business banking. IIB only disbursed Rs1.2bn (2% of eligible loans) under the MSME guarantee scheme, which is lower than peers. Though NIMs may come under pressure in the near term due to higher funding cost/NPAs and lower LDR, the bank's long-term prospects on margin remain positive, led by the rising share of retail to 65% from 50%.

**Higher NPA formation due to recognition of corporate stress; retail risk yet to play out:** The bank recognized corporate NPAs of Rs11bn (Coffee group and healthcare provider), leading to higher fresh slippages of Rs15bn (3.2% of loans), and wrote-off exposure to an infra group, leading to a modest increase of just 7bps qoq in the GNPA ratio to 2.5%. The moratorium rate by value is at 16% (retail 19%, corporate 9%). The rate was surprisingly higher at 75% in retail in Phase 1 and out of which 10% of customers have neither paid nor opted for the moratorium in Phase 2. IIB made additional Covid-19 provisions of Rs9bn and cumulative provisions are now at Rs12bn (0.6% of loans), which is a tad lower than peers (Axis/ICICI-1.25% of loans). However, the bank has further improved its specific PCR to 67%, moving closer to the planned PCR of 70%, which is comforting.

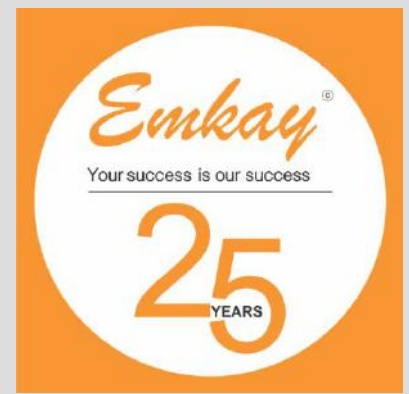
**Outlook and valuations:** We have trimmed our estimates for FY21/FY22 by 4/8% and now expect RoA at 1.3%/1.5% in FY21/FY22E. We had recently downgraded our rating to Hold, factoring in the elevated asset quality risk, more so in retail, which will weigh on growth and return trajectory. We retain Hold with a TP of Rs550 (based on 0.8x Sep'22E ABV). Key risks to our call are higher-than-expected NPA formation and slower growth.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Banks \(page 9\)](#)

### Financial Snapshot (Standalone)

| (Rs mn)    | FY19    | FY20    | FY21E   | FY22E   | FY23E   |
|------------|---------|---------|---------|---------|---------|
| Net income | 144,929 | 190,114 | 209,327 | 230,563 | 277,583 |
| Net profit | 33,011  | 44,579  | 40,499  | 54,446  | 77,246  |
| EPS (Rs)   | 54.8    | 64.3    | 57.1    | 76.7    | 108.8   |
| ABV (Rs)   | 405.2   | 470.1   | 550.9   | 620.1   | 717.4   |
| RoA (%)    | 1.3     | 1.5     | 1.3     | 1.5     | 1.8     |
| RoE (%)    | 13.4    | 14.7    | 10.6    | 12.2    | 15.2    |
| PE (x)     | 9.6     | 8.2     | 9.2     | 6.9     | 4.8     |
| P/ABV      | 1.3     | 1.1     | 1.0     | 0.8     | 0.7     |

Source: Company, Emkay Research



### Change in Estimates

|                         |     |
|-------------------------|-----|
| EPS Chg FY21E/FY22E (%) | -/- |
| Target Price change (%) | NA  |
| Target Period (Months)  | 12  |
| Previous Reco           | BUY |

### Emkay vs Consensus

|                         | EPS Estimates |       |
|-------------------------|---------------|-------|
|                         | FY21E         | FY22E |
| Emkay                   | 57.1          | 76.7  |
| Consensus               | 49.7          | 72.8  |
| Mean Consensus TP (12M) | Rs 587        |       |

### Stock Details

|                              |             |
|------------------------------|-------------|
| Bloomberg Code               | IIB IN      |
| Face Value (Rs)              | 10          |
| Shares outstanding (mn)      | 694         |
| 52 Week H/L                  | 1,597 / 236 |
| M Cap (Rs bn/USD bn)         | 365 / 4.88  |
| Daily Avg Volume (nos.)      | 31,775,950  |
| Daily Avg Turnover (US\$ mn) | 199.4       |

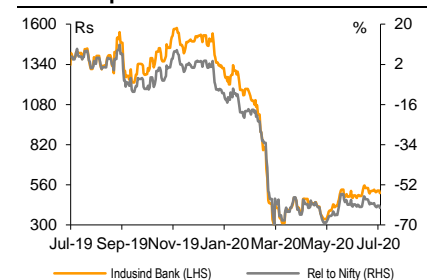
### Shareholding Pattern Jun '20

|                   |       |
|-------------------|-------|
| Promoters         | 13.3% |
| FIIs              | 47.3% |
| DIIIs             | 13.4% |
| Public and Others | 26.0% |

### Price Performance

| (%)                  | 1M  | 3M  | 6M   | 12M  |
|----------------------|-----|-----|------|------|
| <b>Absolute</b>      | 7   | 13  | (58) | (63) |
| <b>Rel. to Nifty</b> | (2) | (7) | (55) | (63) |

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

#### Anand Dama

anand.dama@emkayglobal.com  
+91 22 6624 2480

#### Neelam Bhatia

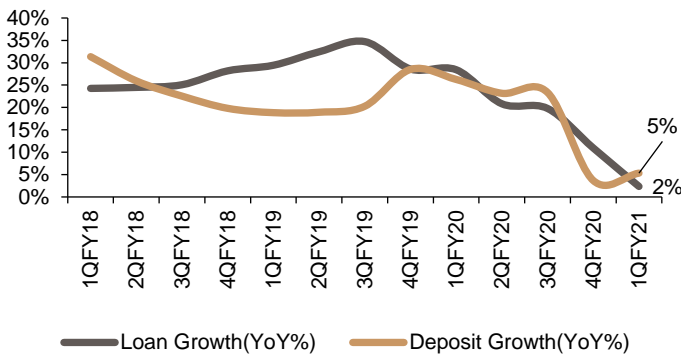
neelam.bhatia@emkayglobal.com  
+91 22 6612 1262

#### Mayank Agarwal

mayank.agarwal@emkayglobal.com

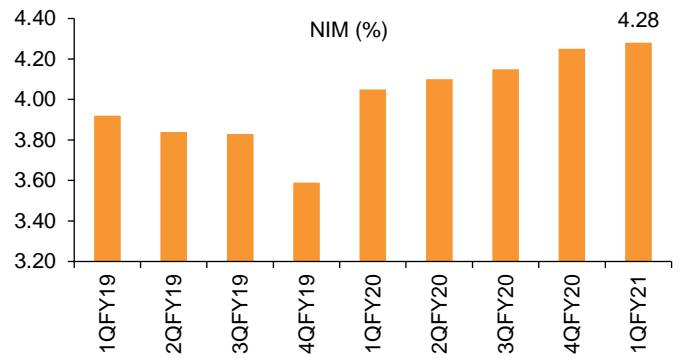
# Story in Charts

**Exhibit 1: Overall loan growth slip due to conscious run-down in corporate book; deposit growth picks up in Q1 after run-down in Q4 post Yes Bank saga**



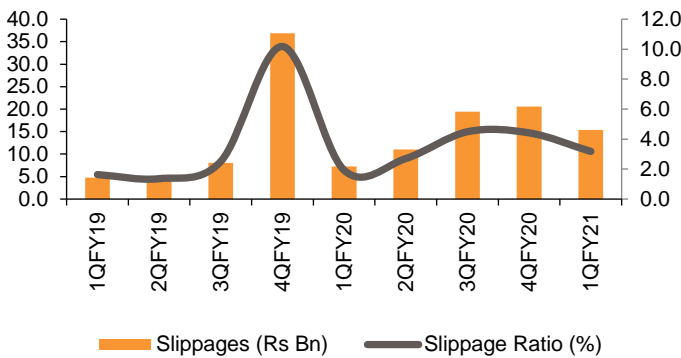
Source: Company, Emkay Research

**Exhibit 2: Lower COF were offset by lower LDR keeping NIM largely intact**



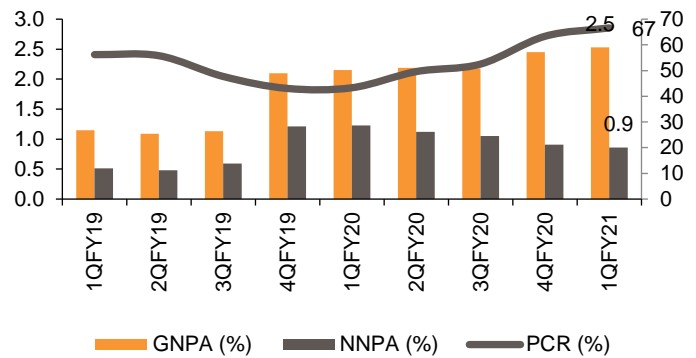
Source: Company, Emkay Research

**Exhibit 3: Slippages remain elevated due to proactive recognition of corporate NPAs, coffee group and healthcare provider (Rs 11 bn)**



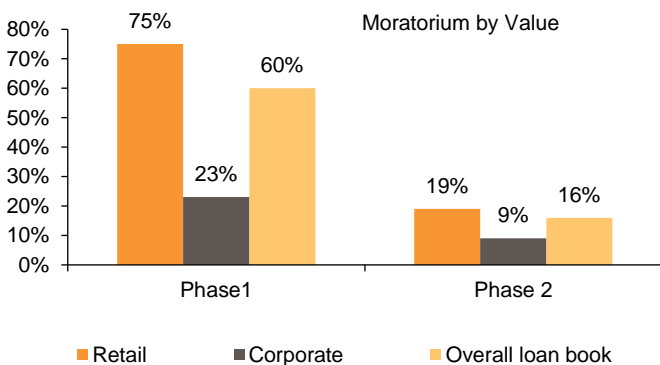
Source: Company, Emkay Research

**Exhibit 4: Specific PCR improves to 67% moving closer to planned PCR of 70%.**



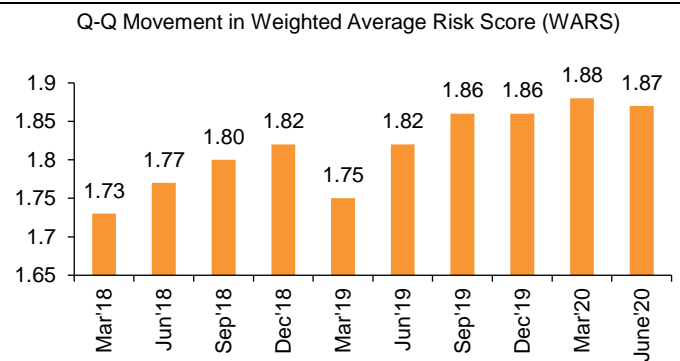
Source: Company, Emkay Research

**Exhibit 5: Moratorium rate sharply improves in retail, but still higher than peers.**



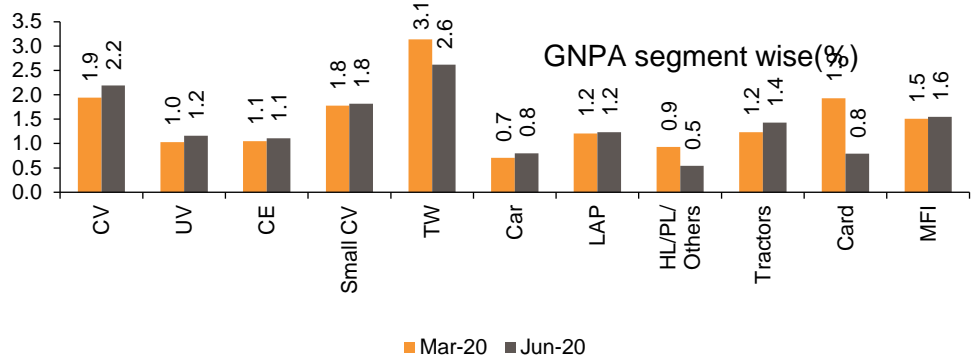
Source: Company, Emkay Research

**Exhibit 6: VF risk within tolerable levels**



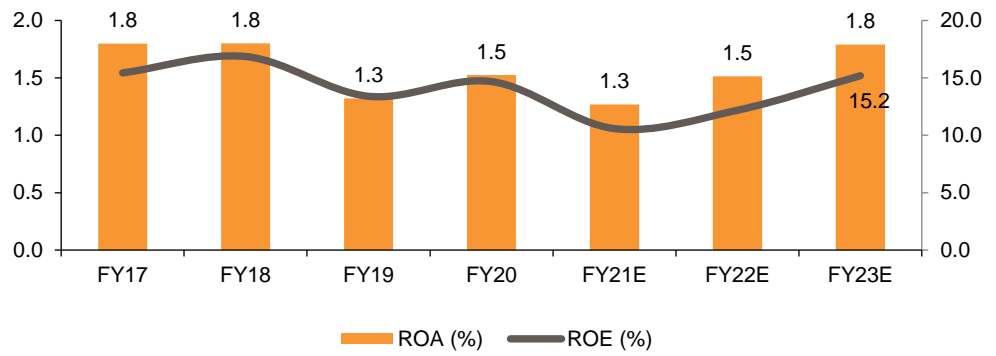
Source: Company, Emkay Research

**Exhibit 7: NPA ratio rises in CV/Car/Tractor/MFI portfolio, while has improved in cards, TW and HL segment sequentially due to moratorium**



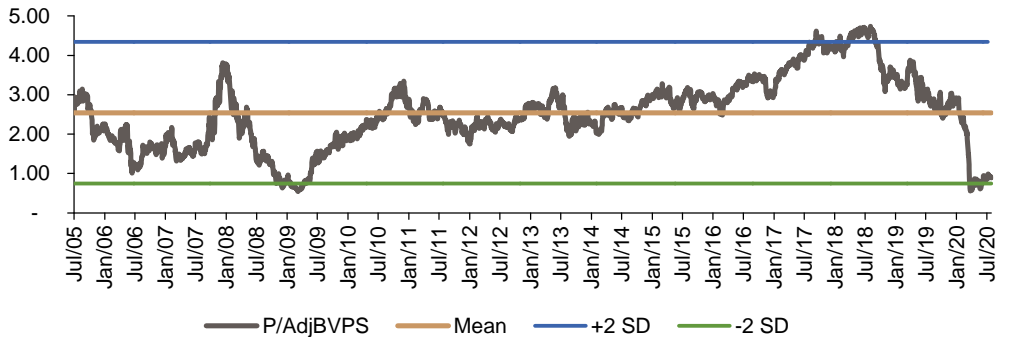
Source: Company, Emkay Research

**Exhibit 8: We expect return ratios to remain subdued going ahead on the back of higher LLP**



Source: Emkay Research, Company

**Exhibit 9: The stocks trades at 0.9x-1 Year forward ABV**



Source: Company, Emkay Research

**Exhibit 10: Actuals Vs Estimates (Q1FY21)**

| Rs mn      | Actuals | Estimates |           | % Variation |           | Comments                                  |
|------------|---------|-----------|-----------|-------------|-----------|---|
|            |         | Emkay     | Consensus | Emkay       | Consensus |   |
| Net income | 48,296  | 47,362    | 49,804    | 2%          | -3%       | Better margins led to beat                |
| PPOP       | 29,277  | 26,407    | 25,591    | 11%         | 14%       | Lower Opex and better margins led to beat |
| PAT        | 5,103   | 3,297     | 7,249     | 55%         | -30%      | Higher PPOP led to beat                   |

Source: Company, Emkay Research

**Exhibit 11:**

| Rs (mn)                   | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 | YoY (%) | QoQ (%) | FY20    | FY21E   | YoY (%) |
|---------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|
| Interest Earned           | 69,614 | 71,504 | 72,845 | 73,865 | 71,617 | 3       | -3      | 287,828 | 291,061 | 1       |
| Interest Exp              | 41,174 | 42,410 | 42,103 | 41,554 | 38,525 | -6      | -7      | 167,241 | 157,626 | -6      |
| Net Interest Income       | 28,440 | 29,094 | 30,742 | 32,311 | 33,092 | 16      | 2       | 120,587 | 133,435 | 11      |
| Global NIMs (reported)    | 4.05   | 4.10   | 4.15   | 4.25   | 4.28   | 23bps   | 3bps    | 4.46    | 0.67    | -379bps |
| Non-interest Income       | 16,633 | 17,272 | 17,900 | 17,722 | 15,204 | -9      | -14     | 69,527  | 75,892  | 9       |
| Operating Expenses        | 19,163 | 20,131 | 21,065 | 21,467 | 19,019 | -1      | -11     | 81,826  | 86,549  | 6       |
| Pre Provisioning Profit   | 25,910 | 26,234 | 27,577 | 28,567 | 29,277 | 13      | 2       | 108,289 | 122,777 | 13      |
| Provision & Contingencies | 4,306  | 7,377  | 10,435 | 24,403 | 22,589 | 425     | -7      | 46,521  | 68,779  | 48      |
| PBT                       | 21,603 | 18,857 | 17,143 | 4,164  | 6,689  | -69     | 61      | 61,768  | 53,998  | -13     |
| Income Tax Expense        | 7,278  | 4,848  | 4,050  | 1,012  | 1,585  | -78     | 57      | 17,188  | 13,500  | -21     |
| Net Profit/(Loss)         | 14,325 | 14,009 | 13,094 | 3,154  | 5,104  | -64     | 62      | 44,579  | 40,499  | -9      |
| Gross NPA (%)             | 2.15   | 2.19   | 2.18   | 2.45   | 2.53   | 38bps   | 8bps    | 2.45    | 4.67    | 222bps  |
| Net NPA (%)               | 1.23   | 1.12   | 1.05   | 0.91   | 0.86   | -37bps  | -5bps   | 0.91    | 1.54    | 63bps   |
| Deposits (Rs in bn)       | 2,006  | 2,072  | 2,167  | 2,020  | 2,113  | 5       | 5       | 2,020   | 2,326   | 15      |
| Net Advances (Rs in bn)   | 1,935  | 1,971  | 2,074  | 2,068  | 1,981  | 2       | -4.2    | 2,068   | 2,196   | 6       |

Source: Company, Emkay Research

**Exhibit 12: Revision in estimates**

| Y/E Mar (Rs mn) | FY21E   |         |          | FY22E   |         |          | FY23E      |
|-----------------|---------|---------|----------|---------|---------|----------|------------|
|                 | Earlier | Revised | % change | Earlier | Revised | % change | Introduced |
| Net income      | 207,055 | 209,327 | 1.1%     | 230,181 | 230,563 | 0.2%     | 277,583    |
| PPOP            | 114,765 | 122,777 | 7.0%     | 122,967 | 134,106 | 9.1%     | 164,211    |
| PAT             | 45,772  | 40,499  | -11.5%   | 59,264  | 54,446  | -8.1%    | 77,246     |
| EPS (Rs)        | 64.6    | 57.1    | -11.7%   | 83.6    | 76.7    | -8.3%    | 108.8      |
| BV (Rs)         | 580.8   | 586.1   | 0.9%     | 653     | 656.9   | 0.5%     | 757.4      |

Source: Company, Emkay Research

**Exhibit 13: Key Assumptions**

|                  | FY20A | FY21E | FY22E | FY23E |
|------------------|-------|-------|-------|-------|
| Loan Growth %    | 10.9  | 6.2   | 20.2  | 25.5  |
| Deposit Growth % | 3.7   | 15.2  | 19.3  | 24.5  |
| NIM %            | 4.5   | 4.6   | 4.5   | 4.6   |
| GNPA %           | 2.5   | 4.7   | 4.3   | 3.8   |
| Credit Cost %    | 2.0   | 3.2   | 2.4   | 1.9   |

Source: Company, Emkay Research

**Exhibit 14: Key ratios and trends**

|                          | 1QFY19       | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | 2QFY20       | 3QFY20       | 4QFY20       | 1QFY21       |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Loans Rs bn</b>       | <b>1,507</b> | <b>1,631</b> | <b>1,732</b> | <b>1,864</b> | <b>1,935</b> | <b>1,971</b> | <b>2,074</b> | <b>2,068</b> | <b>1,981</b> |
| <i>growth YoY %</i>      | 29.4         | 32.4         | 34.7         | 28.6         | 28.4         | 20.8         | 19.8         | 10.9         | 2.4          |
| <i>growth QoQ %</i>      | 3.9          | 8.3          | 6.1          | 7.6          | 3.8          | 1.9          | 5.2          | (0.3)        | (4.2)        |
| <b>Composition (%)</b>   |              |              |              |              |              |              |              |              |              |
| - Large Corporate        | 29.8         | 30.3         | 29.4         | 28.0         | 25.9         | 24.5         | 24.7         | 23.1         | 22.1         |
| - SME/Business Banking   | 30.2         | 30.7         | 31.4         | 33.0         | 26.1         | 26.7         | 26.7         | 26.7         | 25.8         |
| - Retail                 | 40.0         | 39.0         | 39.3         | 39.0         | 48.0         | 48.7         | 48.6         | 50.2         | 52.1         |
| <b>Liability Profile</b> |              |              |              |              |              |              |              |              |              |
| Deposits (Rs bn)         | 1,589        | 1,682        | 1,757        | 1,949        | 2,006        | 2,072        | 2,167        | 2,020        | 2,113        |
| <i>growth YoY %</i>      | 18.8         | 18.9         | 20.3         | 28.5         | 26.3         | 23.2         | 23.3         | 3.7          | 5.3          |
| <i>growth QoQ %</i>      | 4.8          | 5.9          | 4.4          | 10.9         | 2.9          | 3.3          | 4.6          | (6.8)        | 4.6          |
| CASA %                   | 43.4         | 43.6         | 43.6         | 43.1         | 43.1         | 41.4         | 42.4         | 40.4         | 40.0         |
| CA %                     | 13.4         | 13.2         | 15.1         | 15.2         | 14.4         | 13.4         | 12.4         | 14.1         | 15.1         |
| SA %                     | 30.0         | 30.4         | 28.5         | 28.0         | 28.7         | 28.0         | 29.9         | 26.3         | 24.9         |
| Branches                 | 1,410        | 1,466        | 1,558        | 1,665        | 1,701        | 1,753        | 1,851        | 1,911        | 1,911        |
| Yield on Advances %      | 11.15        | 11.44        | 11.52        | 11.25        | 12.00        | 12.04        | 11.97        | 11.89        | 11.85        |
| Cost of Deposits %       | 6.20         | 6.54         | 6.74         | 6.80         | 6.86         | 6.70         | 6.49         | 6.05         | 5.73         |
| NIM %                    | 3.92         | 3.84         | 3.83         | 3.59         | 4.05         | 4.10         | 4.15         | 4.25         | 4.28         |
| <b>Asset Quality</b>     |              |              |              |              |              |              |              |              |              |
| GNPA %                   | 1.2          | 1.1          | 1.1          | 2.1          | 2.2          | 2.2          | 2.2          | 2.5          | 2.6          |
| NNPA %                   | 0.5          | 0.5          | 0.6          | 1.2          | 1.2          | 1.1          | 1.0          | 0.9          | 0.9          |
| PCR %                    | 56.2         | 55.8         | 47.7         | 43.0         | 43.3         | 49.6         | 52.5         | 63.3         | 66.6         |
| Slippages (Rs mn)        | 4,750        | 4,190        | 8,060        | 36,880       | 7,250        | 11,020       | 19,450       | 20,580       | 15,370       |
| Corporate (Rs mn)        | 2,090        | 930          | 4,580        | 32,300       | 1,750        | 4,790        | 12,370       | 12,490       | 12,250       |
| Consumer (Rs mn)         | 2,660        | 3,260        | 3,480        | 4,580        | 5,500        | 6,230        | 7,080        | 8,080        | 3,120        |
| Slippages %              | 1.6          | 1.4          | 2.5          | 10.2         | 1.9          | 2.7          | 4.5          | 4.4          | 3.2          |
| CAR %                    | 14.7         | 14.3         | 14.2         | 14.2         | 14.9         | 14.7         | 13.9         | 15.0         | 15.2         |
| Tier I %                 | 14.3         | 13.9         | 13.8         | 13.7         | 14.5         | 14.3         | 13.5         | 14.6         | 14.5         |
| <b>ROE Decomposition</b> |              |              |              |              |              |              |              |              |              |
| NII                      | 3.8          | 3.7          | 3.6          | 3.3          | 4.0          | 4.0          | 4.1          | 4.2          | 4.2          |
| Other Income             | 2.3          | 2.2          | 2.3          | 2.3          | 2.3          | 2.3          | 2.4          | 2.3          | 1.9          |
| Opex                     | 2.7          | 2.6          | 2.6          | 2.6          | 2.7          | 2.7          | 2.8          | 2.8          | 2.4          |
| PPOP                     | 3.4          | 3.3          | 3.4          | 3.1          | 3.6          | 3.6          | 3.7          | 3.7          | 3.7          |
| Provisioning Cost        | 0.6          | 1.0          | 1.0          | 2.3          | 0.6          | 1.0          | 1.4          | 3.2          | 2.9          |
| PBT                      | 2.8          | 2.4          | 2.4          | 0.8          | 3.0          | 2.6          | 2.3          | 0.5          | 0.9          |
| Tax                      | 0.9          | 0.8          | 0.8          | 0.2          | 1.0          | 0.7          | 0.5          | 0.1          | 0.2          |
| ROA                      | 1.8          | 1.5          | 1.6          | 0.5          | 2.0          | 1.9          | 1.7          | 0.4          | 0.7          |
| Leverage (x)             | 9.2          | 9.5          | 9.7          | 10.1         | 9.7          | 9.0          | 8.9          | 8.9          | 8.9          |
| ROE                      | 17.0         | 14.6         | 15.2         | 5.4          | 19.5         | 17.1         | 15.5         | 3.7          | 5.8          |

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

| Y/E Mar (Rs mn)             | FY19           | FY20           | FY21E          | FY22E          | FY23E          |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Net interest income</b>  | <b>88,462</b>  | <b>120,587</b> | <b>133,435</b> | <b>148,399</b> | <b>182,596</b> |
| <b>Other income</b>         | <b>56,467</b>  | <b>69,527</b>  | <b>75,892</b>  | <b>82,164</b>  | <b>94,986</b>  |
| Fee income                  | 40,730         | 52,907         | 57,668         | 64,588         | 74,923         |
| <b>Net income</b>           | <b>144,929</b> | <b>190,114</b> | <b>209,327</b> | <b>230,563</b> | <b>277,583</b> |
| Operating expenses          | 64,047         | 81,826         | 86,549         | 96,457         | 113,372        |
| <b>Pre provision profit</b> | <b>80,882</b>  | <b>108,289</b> | <b>122,777</b> | <b>134,106</b> | <b>164,211</b> |
| <b>PPP excl treasury</b>    | <b>79,731</b>  | <b>105,180</b> | <b>118,737</b> | <b>130,268</b> | <b>160,564</b> |
| Provisions                  | 31,077         | 46,521         | 68,779         | 61,512         | 61,217         |
| <b>Profit before tax</b>    | <b>49,806</b>  | <b>61,768</b>  | <b>53,998</b>  | <b>72,594</b>  | <b>102,994</b> |
| Tax                         | 16,795         | 17,188         | 13,500         | 18,149         | 25,749         |
| Tax rate                    | 34             | 28             | 25             | 25             | 25             |
| <b>Profit after tax</b>     | <b>33,011</b>  | <b>44,579</b>  | <b>40,499</b>  | <b>54,446</b>  | <b>77,246</b>  |

**Balance Sheet**

| Y/E Year End (Rs mn)     | FY19             | FY20             | FY21E            | FY22E            | FY23E            |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Equity                   | 6,027            | 6,935            | 7,098            | 7,098            | 7,098            |
| Reserves                 | 260,721          | 340,545          | 417,916          | 468,641          | 540,755          |
| <b>Net worth</b>         | <b>266,748</b>   | <b>347,480</b>   | <b>425,013</b>   | <b>475,738</b>   | <b>547,853</b>   |
| Deposits                 | 1,948,679        | 2,020,270        | 2,326,456        | 2,774,933        | 3,454,789        |
| Borrowings               | 418,312          | 607,536          | 455,652          | 501,217          | 601,460          |
| <b>Total liabilities</b> | <b>2,778,194</b> | <b>3,072,286</b> | <b>3,313,868</b> | <b>3,878,924</b> | <b>4,747,102</b> |
| Cash and bank            | 99,612           | 136,826          | 164,191          | 197,029          | 236,435          |
| Investments              | 592,662          | 599,384          | 639,994          | 730,219          | 868,044          |
| Loans                    | 1,863,935        | 2,067,832        | 2,196,445        | 2,639,636        | 3,313,109        |
| Others                   | 156,663          | 225,820          | 247,498          | 259,224          | 280,590          |
| <b>Total assets</b>      | <b>2,778,194</b> | <b>3,072,286</b> | <b>3,313,868</b> | <b>3,878,924</b> | <b>4,747,102</b> |

**Key Ratios (%)**

| Y/E Year End          | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|------|------|-------|-------|-------|
| NIM                   | 3.8  | 4.5  | 4.6   | 4.5   | 4.6   |
| Non-ll/avg assets     | 2.3  | 2.4  | 2.4   | 2.3   | 2.2   |
| Fee income/avg assets | 1.6  | 1.8  | 1.8   | 1.8   | 1.7   |
| Opex/avg assets       | 2.6  | 2.8  | 2.7   | 2.7   | 2.6   |
| Provisions/avg assets | 1.2  | 1.6  | 2.2   | 1.7   | 1.4   |
| PBT/avg assets        | 2.0  | 2.1  | 1.7   | 2.0   | 2.4   |
| Tax/avg assets        | 0.7  | 0.6  | 0.4   | 0.5   | 0.6   |
| RoA                   | 1.3  | 1.5  | 1.3   | 1.5   | 1.8   |
| RoAE                  | 13.4 | 14.7 | 10.6  | 12.2  | 15.2  |
| GNPA (%)              | 2.1  | 2.5  | 4.7   | 4.3   | 3.8   |
| NNPA (%)              | 1.2  | 0.9  | 1.5   | 1.3   | 1.2   |

| Per Share Data (Rs) | FY19  | FY20  | FY21E | FY22E | FY23E |
|---------------------|-------|-------|-------|-------|-------|
| EPS                 | 54.8  | 64.3  | 57.1  | 76.7  | 108.8 |
| BVPS                | 429.4 | 489.5 | 586.1 | 656.9 | 757.4 |
| ABVPS               | 405.2 | 470.1 | 550.9 | 620.1 | 717.4 |
| DPS                 | 7.5   | 0.0   | 0.0   | 5.0   | 7.0   |

| Valuations (x)     | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------|------|------|-------|-------|-------|
| PER                | 9.6  | 8.2  | 9.2   | 6.9   | 4.8   |
| P/BV               | 1.3  | 1.1  | 1.0   | 0.8   | 0.7   |
| P/ABV              | 1.3  | 1.1  | 1.0   | 0.8   | 0.7   |
| P/PPOP             | 3.9  | 3.4  | 3.0   | 2.8   | 2.3   |
| Dividend Yield (%) | 1.4  | 0.0  | 0.0   | 0.9   | 1.3   |

Source: Company, Emkay Research

| <b>Growth (%)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| NII               | 18.0        | 36.3        | 10.7         | 11.2         | 23.0         |
| PPOP              | 21.5        | 33.9        | 13.4         | 9.2          | 22.4         |
| PAT               | (8.5)       | 35.0        | (9.2)        | 34.4         | 41.9         |
| Loans             | 28.6        | 10.9        | 6.2          | 20.2         | 25.5         |

| <b>Quarterly (Rs mn)</b> | <b>Q1FY20</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| NII                      | 28,440        | 29,094        | 30,742        | 32,311        | 33,092        |
| NIM(%)                   | 4.1           | 4.1           | 4.2           | 4.3           | 4.3           |
| PPOP                     | 25,910        | 26,234        | 27,577        | 28,567        | 29,277        |
| PAT                      | 14,325        | 14,010        | 13,092        | 3,152         | 5,103         |
| EPS (Rs)                 | 20.67         | 20.22         | 18.89         | 4.54          | 7.36          |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Jul-19</b> | <b>Sep-19</b> | <b>Dec-19</b> | <b>Mar-20</b> | <b>Jun-20</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 13.1          | 13.0          | 13.0          | 13.0          | 13.3          |
| FIIIs                           | 47.6          | 47.2          | 50.1          | 48.7          | 47.3          |
| DIIIs                           | 11.2          | 15.6          | 13.6          | 14.1          | 13.4          |
| Public and Others               | 28.1          | 24.1          | 23.3          | 24.2          | 26.0          |

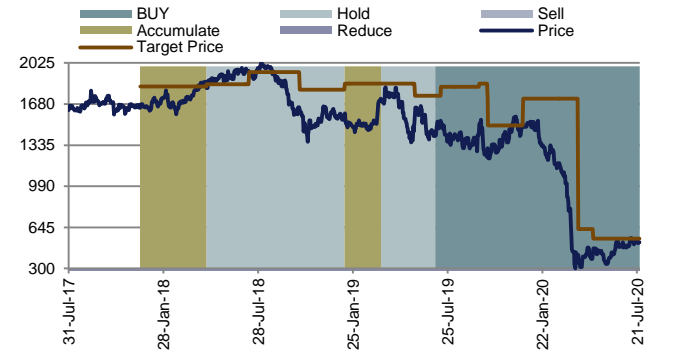
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

| Date      | Closing Price | TP    | Period (months) | Rating     | Analyst       |
|-----------|---------------|-------|-----------------|------------|---------------|
| 28-Apr-20 | 468           | 550   | 12m             | Buy        | Anand dama    |
| 11-Apr-20 | 395           | 630   | 12m             | Buy        | Anand dama    |
| 30-Mar-20 | 413           | 630   | 12m             | Buy        | Anand dama    |
| 14-Jan-20 | 1,482         | 1,725 | 12m             | Buy        | Anand dama    |
| 16-Dec-19 | 1,493         | 1,725 | 12m             | Buy        | Anand dama    |
| 10-Oct-19 | 1,229         | 1,500 | 12m             | Buy        | Anand dama    |
| 9-Oct-19  | 1,309         | 1,725 | 12m             | Buy        | Anand dama    |
| 23-Sep-19 | 1,512         | 1,850 | 12m             | Buy        | Anand dama    |
| 12-Jul-19 | 1,510         | 1,825 | 12m             | Buy        | Anand dama    |
| 1-Jul-19  | 1,434         | 1,750 | 12m             | Buy        | Anand dama    |
| 23-May-19 | 1,599         | 1,750 | 12m             | Hold       | Anand dama    |
| 20-Mar-19 | 1,713         | 1,850 | 12m             | Hold       | Anand dama    |
| 9-Jan-19  | 1,602         | 1,850 | 12m             | Accumulate | Anand dama    |
| 15-Oct-18 | 1,627         | 1,799 | 12m             | Hold       | Jignesh Shial |
| 10-Jul-18 | 1,935         | 1,947 | 12m             | Hold       | Jignesh Shial |
| 21-May-18 | 1,925         | 1,845 | 12m             | Hold       | Ravikant Bhat |
| 20-Apr-18 | 1,813         | 1,845 | 12m             | Hold       | Ravikant Bhat |
| 11-Jan-18 | 1,700         | 1,827 | 12m             | Accumulate | Ravikant Bhat |
| 14-Dec-17 | 1,650         | 1,827 | 12m             | Accumulate | Ravikant Bhat |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – BFSI-Banks



### Analyst: Anand Dama

#### Contact Details

anand.dama@emkayglobal.com  
+91 22 6624 2480

#### Sector

Banks

#### Analyst bio

Anand Dama is a CA, CPM (ICFAI) with total 12 years of research experience, in addition to 3 years in the finance/rating industry. His team currently covers 21 banks and 15 stocks in the NBFC/Insurance space.

### EAP sector portfolio

| Company Name               | BSE200 Weight | EAP Weight   | OW/UW (%)    | OW/UW (bps) | EAP Weight (Normalised) |
|----------------------------|---------------|--------------|--------------|-------------|-------------------------|
| <b>BFSI-Banks</b>          | <b>18.63</b>  | <b>18.59</b> | <b>-0.2%</b> | <b>-4</b>   | <b>100.00</b>           |
| Axis Bank                  | 1.66          | 1.80         | 9%           | 14          | 9.69                    |
| AU Small Finance Bank      | 0.08          | 0.05         | -35%         | -3          | 0.28                    |
| Bandhan Bank               | 0.16          | 0.16         | 0%           | 0           | 0.86                    |
| Bank of Baroda             | 0.10          | 0.00         | -100%        | -10         | 0.00                    |
| Canara Bank                | 0.05          | 0.00         | -100%        | -5          | 0.00                    |
| City Union Bank            | 0.15          | 0.15         | 0%           | 0           | 0.81                    |
| DCB Bank                   | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| Equitas Holdings           | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| Federal Bank               | 0.19          | 0.24         | 28%          | 5           | 1.29                    |
| HDFC Bank                  | 7.70          | 7.96         | 3%           | 26          | 42.75                   |
| ICICI Bank                 | 3.87          | 4.05         | 5%           | 18          | 21.76                   |
| Indian Bank                | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| Indusind Bank              | 0.51          | 0.58         | 14%          | 7           | 3.14                    |
| Karur Vysya Bank           | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| Kotak Mahindra Bank        | 2.73          | 2.27         | -17%         | -46         | 12.21                   |
| Punjab National Bank       | 0.08          | 0.00         | -100%        | -8          | 0.00                    |
| RBL Bank                   | 0.12          | 0.12         | 0%           | 0           | 0.67                    |
| State Bank of India        | 1.18          | 1.18         | 0%           | 0           | 6.33                    |
| Ujjivan Small Finance Bank | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| Union Bank of India        | 0.04          | 0.00         | -100%        | -4          | 0.00                    |
| Yes Bank                   | 0.00          | 0.00         | NA           | 0           | 0.00                    |
| <b>Cash</b>                | <b>0.00</b>   | <b>0.04</b>  | <b>NA</b>    | <b>4</b>    | <b>0.2</b>              |

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

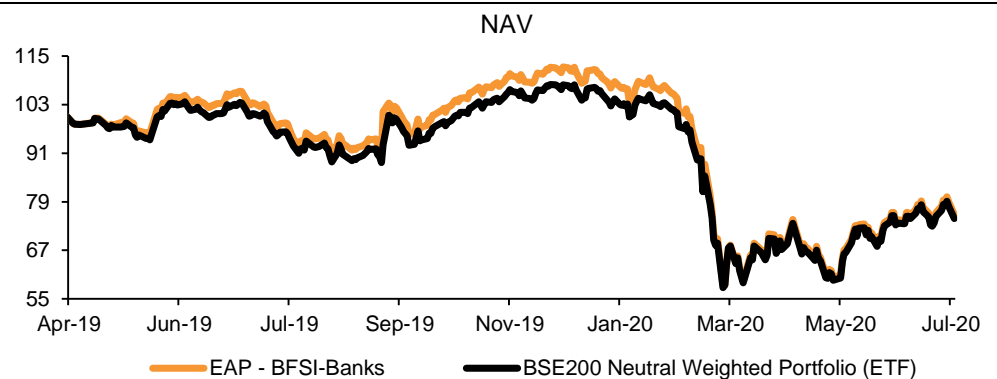
### Sector portfolio NAV

|   | Base     |           |           |           |           | Latest    |
|---|----------|-----------|-----------|-----------|-----------|-----------|
|   | 1-Apr-19 | 25-Oct-19 | 27-Jan-20 | 27-Apr-20 | 26-Jun-20 | 27-Jul-20 |
| EAP - BFSI-Banks                        | 100.0    | 102.3     | 107.4     | 69.4      | 74.6      | 75.9      |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0    | 98.6      | 103.0     | 68.6      | 73.8      | 74.9      |

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY     | Over 15%                                      |
| HOLD    | Between -5% to 15%                            |
| SELL    | Below -5%                                     |

Completed Date: 29 Jul 2020 04:35:13 (SGT)

Dissemination Date: 29 Jul 2020 04:36:13 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com)

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

**Disclaimer for U.S. persons only:** This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of July 28, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of July 28, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the July 28, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the July 28, 2020

**RESTRICTIONS ON DISTRIBUTION**

|                                      |  |
|--------------------------------------|--|
| General                              | This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.   |
| Australia                            | This report is not for distribution into Australia.  |
| Hong Kong                            | This report is not for distribution into Hong Kong.  |
| Indonesia                            | This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.   |
| Malaysia                             | This report is not for distribution into Malaysia.   |
| Singapore                            | This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.   |
| Thailand                             | This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.  |
| United Kingdom                       | This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.<br>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.  |
| Dubai International Financial Centre | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 <sup>th</sup> Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.   |
| United Arab Emirates                 | This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent. |
| United States                        | DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.   |
| Other jurisdictions                  | In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.  |

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com