

HDFC Bank

17 April, 2023

Reuters: HDBK.BO; Bloomberg: HDFCB IN

Elevated opex impacts operating profit; lower provisions aid profitability

HDFC Bank's 4QFY23 results was broadly in line with our estimates, with the net profit increasing by 19.1% YoY, driven by lower provisions. Calculated NIM expanded by 24bps YoY but contracted by 14bps QoQ to 418bps as funding cost increased at a faster clip. NII grew at a healthy clip of 23.7% YoY to Rs233.5bn. Other income increased by 14.3% YoY to Rs87bn and was impacted by treasury loss, which came in at Rs3.8bn. Core fee income witnessed a sequential uptick of 9.5% QoQ to Rs66bn. Operating profit growth came in lower at 13.8% YoY and declined by 2.1% QoQ due to lower treasury income and elevated opex. Aggressive branch expansion is leading to higher opex and is likely to remain elevated in the near term as the focus is to expand the branch network. The bank made an additional contingent provision of Rs3bn, but overall provisions continued to remain lower. Credit cost stood at 67bps vs 96bps in 4QFY22 (74bps in 3QFY23) and is expected to normalize to pre-covid levels going forward. Asset quality improved further on a sequential basis, driven by lower delinquencies. We expect balance sheet growth momentum to remain healthy, but higher cost and increasing funding cost are likely to put some pressure on earnings growth going forward. We remain cautious about merger transition, which along with elevated opex and the margin trajectory would be a key monitorable going forward. We maintain BUY on HDFC Bank with a target price (TP) of Rs1,958 (2.9x FY25E ABVPS + value of subsidiaries).

NIM contracts on QoQ basis as funding cost inches up at a faster clip: NIM expanded by 10bps YoY (flat QoQ) to 4.3%. Calculated NIM expanded by 24bps YoY but contracted by 14bps QoQ to 418bps. Yield on funds expanded by 5bps QoQ to 8.08% while the cost of funds (CoF) expanded by 18bps QoQ to 4.55%. Credit/deposit ratio contracted to 85% vs 87.7% in 4QFY22. Moreover, the incremental C/D ratio came in at low 62% mainly on account of a significant uptick in deposits. The management remains confident about sustaining NIM at the current level and indicated that increase in the fixed rate book and shift in asset mix towards high-yielding retail loans will provide cushion against the increase in the cost of deposits (CoD). Total fee income grew by 14.3% YoY/2.7% QoQ. Nearly 94% of the fee income came from the Retail segment. Core fee income saw an uptick and stood at Rs66bn, up by 18% YoY and 1.11% (annualized) of assets.

Cost to income at multi quarters' high impacts profitability: Opex remained elevated, growing by 32.6% YoY due to addition of more employees and branches. Employee expenses shot up by 38.7% YoY (5.7% QoQ) to Rs43.6bn, partially due to ESOP expenditure of Rs3bn. Other operating expenses increased by 30% YoY (up 9% QoQ) to Rs91bn as the bank opened ~638 new branches during the quarter. As a result, the cost/income ratio inched up to 42% vs 38.3% in 4QFY22. High growth in overall opex was reflective of the expansion in the branch-cum-ATM network along with the increase in manpower. The management has guided towards maintaining this expansionary stance in FY24 as well, resulting in higher cost to income ratio.

BUY

Sector: Banking

CMP: Rs1,693

Target Price: Rs1,958

Upside: 16%

Nikhil Shah

Research Analyst

nikhil.shah@nirmalbang.com

+91-22-6273 8092

Key Data

Current Shares O/S (mn)	5,579.7
Mkt Cap (Rsbn/US\$bn)	9,443.4/115.4
52 Wk H / L (Rs)	1,702/1,272
Daily Vol. (3M NSE Avg.)	10,911,410

Price Performance (%)

	1 M	6 M	1 Yr
HDFC Bank	7.6	17.0	15.5
Nifty Index	4.6	3.7	2.0

Source: Bloomberg

Y/E Mar (Rsmn)	4QFY23	4QFY22	3QFY23	YoY (%)	QoQ (%)
Interest Income	4,51,194	3,34,487	4,27,078	34.9	5.6
Interest Expense	-2,17,675	-1,45,760	-1,97,199	49.3	10.4
Net Interest Income	2,33,518	1,88,727	2,29,878	23.7	1.6
NIM (%)	4.3	4.2	4.3	10 bps	bps
Non-Interest Income	87,312	76,371	84,998	14.3	2.7
Total Income	3,20,830	2,65,098	3,14,877	21.0	1.9
Staff Cost	43,621	31,446	41,262	38.7	5.7
Other Op Exp	91,001	70,082	83,374	29.8	9.1
Total Operating Expenses	1,34,621	1,01,528	1,24,636	32.6	8.0
Cost to Income (%)	42.0	38.3	39.6	366 bps	238 bps
Pre-provisioning Operating Profit	1,86,209	1,63,570	1,90,241	13.8	-2.1
Provisions	26,854	33,124	28,064	-18.9	-4.3
PBT	1,59,355	1,30,447	1,62,176	22.2	-1.7
Tax	38,881	29,895	39,581	30.1	-1.8
-effective tax rate	24.4	22.9	24.4	148 bps	-1 bps
PAT	1,20,475	1,00,552	1,22,595	19.8	-1.7
Deposits (Rsbn)	18,834	15,592	17,332	20.8	8.7
Advances (Rsbn)	16,006	13,688	15,068	16.9	6.2

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Improving asset quality; cumulative provisions at comfortable levels: HDFC Bank's asset quality improved on QoQ basis, with GNPA/NNPA ratio at 1.12%/0.27% vs 1.23%/0.33% in 3QFY23. GNPA ratio was at the lowest level in the past five years. Fresh delinquencies came in low at Rs49bn vs Rs66bn in 3QFY23. Total standard restructured credit book further declined to ~37bps of the credit book vs ~50bps in 3QFY23. The management indicated that the total GNPA included 14bps of exposure, which is standard in nature. GNPA across all segments (barring CRB— ex. Agri segment) reported an improvement on QoQ basis. GNPA in the Retail segment stood at a 10-quarter low of 1%. GNPA in CRB improved marginally on QoQ basis to 1.7%. GNPA was the lowest in Corporate & Wholesale segment at 0.5%, remaining flattish QoQ. Contingent and floating provisions stood at 176% of GNPA and 1.12% of gross advances. Annualized credit cost for 4QFY23 was at 0.67% and 0.74% for FY23.

CRB and Retail segments drive strong credit momentum: HDFC Bank's credit growth continued its strong momentum and increased by 6.2% QoQ/16.9% YoY to Rs160trn. Credit growth was driven by the CRB segment, which reported a growth of 30% YoY and now constitutes 37.6% of the total loan book. The Retail book grew by 4.6% QoQ (20% YoY) to Rs6,346bn. Within the Retail segment (barring 2-Wheelers and Payment Products), all the segments contributed to overall credit growth. The Wholesale book grew by 12.5% YoY and 4.5% QoQ largely on the back of Telecom, NBFCs and PSUs. The management indicated that consumer spends continued to remain encouraging, especially in Home Loans and Personal Loans, which is likely to support growth going forward as well. The Retail segment is experiencing higher demand for credit, resulting in an uptick in the Retail segment's contribution to the advances at 47% vs 44% in 4QFY22.

Deposit mobilization remains robust: HDFC Bank witnessed a significant surge in its deposit franchise, with a growth of 8.7% QoQ and ~21% YoY to Rs18,834bn. The major component of growth came through term deposits, which increased by 8% QoQ (29.6% YoY) while CASA deposits grew at a slower pace of 9.6% QoQ (11.3% YoY). The CASA ratio came in at 44.4% vs 48.2% in 4QFY22 and 44% in 3QFY23. The bank grew its retail deposit pool by 23% YoY/7% QoQ and added Rs1,070bn retail deposits on QoQ basis, with retail deposits now constituting 83% of total deposits vs 84% in 3QFY23. The management indicated that higher deposit mobilization was due to on-boarding higher customer relationships and as new branches mature, it is likely to further aid deposits growth going forward. Customer relationships on an incremental basis have grown from 3mn to 10.5m during 2018-2023, aiding the bank in deposit mobilization.

Key takeaways from 4QFY23 concall

Opening commentary

- Key macro indicators suggest economic activities holding up well in 4QFY23.
- GST collections continue to remain robust, with collections in March'23 registering 13% YoY growth.
- Manufacturing PMI at 56.4 continues to remain in expansionary zone since July 2021.
- Services PMI at 57.8 continues to remain strong as well.
- Healthy trend in government capital spending augers well with government spending in 4QFY23 up by 18% YoY.
- Payment system indicates business activities remain healthy with 15% YoY increase in RTGS net transaction value while UPI payments transaction value registered a growth of 51% YoY.
- The management highlighted that global slowdown, continued geo-political tensions and any further deepening of foreign banking crisis could affect domestic growth going forward.
- The management expects GDP growth for FY24 at 6%+.

On distribution network

- The bank added over 638 branches in 4QFY23, taking total branch addition in FY23 at 1,479. Total branch network stands at 7,821.
- On payment acceptance points, the bank has 3.9mn such points, up by 30% YoY.
- Wealth management is offered through 923 locations through the hub & spoke model, expanding by 232 locations in the quarter.
- In CRB segment, rural business expanded to 1.65 lakh villages and is on track to reach 2 lakh villages.
- Gold loans is now offered through 4,182 branches, up by almost 3x YoY.
- The bank added 6,300/31,600 employees in 4QFY23/FY23

- The bank issued ~1.4mn cards in 4QFY23 and the total outstanding cards stand at ~18mn.
- The bank would continue its focus on investment in technology and expanding its distribution network.

Asset quality

- Total GNPA stood at 112bps wherein 14bps of the loans are still standard.
- In 4QFY23, slippage/recoveries/write-offs stood at Rs49bn (28bps)/Rs33bn (22bps)/Rs24bn (17bps).
- There was no sale of NPA during the quarter.
- Total covid-19 restructured book stood at Rs50bn (31bps); in addition, few facilities of borrowers, which are not restructured, stood at Rs9.7bn (6bps), thus total restructuring stood at 37bps vs 50bps in 3QFY23.
- During the quarter, the bank recorded contingent provisions of Rs3bn.
- Total provisions, including contingent and floating provisions, stood at Rs111.5bn, of which contingent/floating provisions stood at Rs97bn/Rs14.5bn. Total general provisions stood at Rs70bn.
- Total provisions (including general, contingent and floating) stood at 176% of GNPA and 1.12% of gross advances as on 4QFY23.
- Recoveries stood at 23bps of gross advances and were recorded in miscellaneous income.
- Total credit cost (net of recoveries) for 4QFY23/FY23 stood at 44bps/53bps.

Balance Sheet

- Focus continues towards mobilization of granular deposits. Retail deposits grew by 23% YoY (7% QoQ) and constituted ~83% of total deposits. Retail CASA deposits grew by 13% YoY.
- Wholesale deposits increased by 10% YoY (15% QoQ) and constituted 17% of total deposits.
- In customer franchise business segment, the bank acquired 2.6mn new customer liability relationships in 4QFY23. For FY23, the bank acquired 10.6mn customers and total customers stands at over 83mn.
- Domestic retail advances grew by 20.8% YoY, driven by personal loans and home loans.
- On the consumption front, consumers are moving towards high-value products with preferences gravitating towards SUVs, MPVs and higher capacity 2W products.
- Wholesale book grew by 12.6% YoY (4.5% QoQ), driven by demand from NBFCs, Telecom, PSU and Retail sectors.
- Express car loans now constitute 20% of new car loan volume.
- LCR for the quarter stood at 116%.
- Retail card issuance spends registered a growth of 31% YoY.
- The management highlighted that within the credit card segment, revolver rates continued to be lower.
- Other assets increased significantly, partially on the back of RIDF, which is likely to be ~Rs400bn.

P&L

- There was no interest on income tax refund.
- ESOP expense for 4QFY23 stood at Rs3bn and is expected to continue going forward.
- The management indicated that cost/income ratio is likely to remain elevated as the focus would continue towards branch expansion and adding more employees.
- The management is of the view this is the right time to invest in infrastructure on the back of a benign credit cost environment. Moreover, as the credit cost is likely to normalize to pre-covid levels going forward, the same is likely to be offset by higher revenue from new branches added, which would mature over time.
- CoF is likely to inch up on the back of mix of deposits. However, yield on advances is also likely to expand on account of change in advances mix.
- NIM is likely to remain in the range of 3.9-4.4%.
- 45% of the book is fixed rate book.
- MCLR book is 6% of total book.

HDB financials

- The company opened 71 branches, taking total branches to 1,492 branches.
- Customer franchise grew by 2.8mn customers YoY to 11.9mn customers.
- Disbursements momentum continued across verticals and grew by 50% YoY and 20% QoQ. Total loan book grew by 14% YoY (7.6% QoQ) to Rs700bn.
- Gross stage 3 book improved to 2.73% vs 3.73% in 3QFY23. PCR for stage 3 stood at 65% while PCR on secured / unsecured book stood at 62% / 75%.
- For 4QFY23, RoA/ RoE came in at 3.2%/ 19.5%; for FY24, RoA/ RoE came in at 3.1%/ 18.7%.
- CAR stood at 20.05%.

Quarterly Income Statement

(INR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	YoY (%)	QoQ (%)
Interest Inc. on Advances	2,59,089	2,74,023	3,04,094	3,36,414	3,56,428	37.6	5.9
Interest Inc. on Investments	65,765	71,936	77,019	80,392	83,764	27.4	4.2
Others	9,633	5,762	4,751	10,271	11,001	14.2	7.1
Total Interest Inc.	3,34,487	3,51,720	3,85,864	4,27,078	4,51,194	34.9	5.6
Interest Expended	1,45,760	1,56,906	1,75,652	1,97,199	2,17,675	49.3	10.4
NII	1,88,727	1,94,814	2,10,212	2,29,878	2,33,518	23.7	1.6
CXB	56,303	53,604	58,029	60,526	66,281	17.7	9.5
Treasury Income	(403)	(13,117)	(2,531)	2,614	(377)	-6.5	-114.4
Other Non-Interest Inc.	8,925	12,593	9,478	10,741	10,105	13.2	-5.9
Total Non-interest Income	76,371	63,882	75,955	84,998	87,312	14.3	2.7
Total Net Income	2,65,098	2,58,697	2,86,167	3,14,877	3,20,830	21.0	1.9
Payments to / Provisions for employees	(31,446)	(35,002)	(35,238)	(41,262)	(43,621)	38.7	5.7
Other operating expenses	(70,082)	(70,016)	(77,007)	(83,374)	(91,001)	29.8	9.1
Total Operating Exp.	(1,01,528)	(1,05,018)	(1,12,246)	(1,24,636)	(1,34,621)	32.6	8.0
Operating Profit	1,63,570	1,53,678	1,73,921	1,90,241	1,86,209	13.8	-2.1
Total Provisions	(33,124)	(31,877)	(32,401)	(28,064)	(26,854)	-18.9	-4.3
PBT	1,30,447	1,21,801	1,41,520	1,62,176	1,59,355	22.2	-1.7
Tax Provision	(29,895)	(29,841)	(35,463)	(39,581)	(38,881)	30.1	-1.8
Net Profit	1,00,552	91,960	1,06,057	1,22,595	1,20,475	19.8	-1.7
EPS	18.1	16.6	19.1	22.1	21.6	19.1	-2.2

Key Ratios

%	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	YoY (bps)	QoQ (bps)
NIM	4.2	4.2	4.1	4.3	4.3	10	-
CAR	18.9	18.1	18.0	19.4	19.3	40	(10)
Tier I	17.9	17.1	16.0	17.2	17.1	(80)	(10)
ROA	2.0	1.8	2.0	2.2	2.0	2	(14)
CD Ratio	87.8	86.9	88.4	86.9	85.0	(280)	(195)

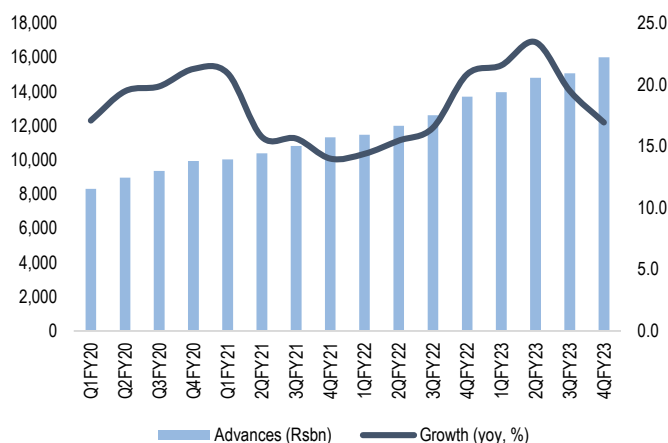
Asset Quality

(INR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	YoY (%)	QoQ (%)
GNPA	1,61,410	1,80,337	1,83,010	1,87,639	1,80,190	11.6	-4.0
NNPA	44,077	48,877	48,827	50,243	43,684	-0.9	-13.1
						YoY (bps)	QoQ (bps)
GNPA (in %)	1.17	1.28	1.23	1.23	1.12	(4.9)	-11.0
NNPA (in %)	0.32	0.35	0.33	0.33	0.27	(4.9)	-5.7
PCR (%) (Excl. Technical Write-offs)	72.7	72.9	73.3	73.2	75.8	306.4	253.3

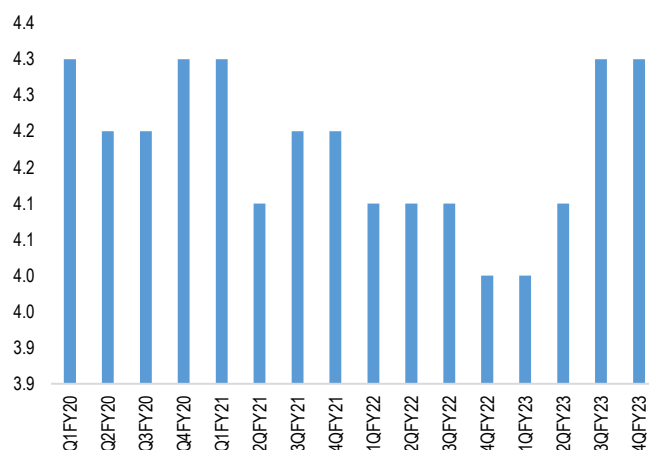
Balance Sheet Details

(INR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	YoY (%)	QoQ (%)
Net Advances	1,36,88,209	1,39,50,677	1,47,98,732	1,50,68,093	1,60,05,859	16.9	6.2
Savings Deposits	51,17,390	51,40,630	52,97,450	53,52,060	56,24,930	9.9	5.1
Current Deposits	23,93,110	22,05,840	22,99,510	22,77,450	27,34,960	14.3	20.1
CASA Deposits	75,10,500	73,46,470	75,96,960	76,29,510	83,59,890	11.3	9.6
Term Deposits	80,81,674	87,01,130	91,37,120	97,02,530	1,04,74,057	29.6	8.0
Total Deposits	1,55,92,174	1,60,47,600	1,67,34,080	1,73,32,040	1,88,33,947	20.8	8.7
CASA (%)	48.2	45.8	45.4	44.0	44.4	-378 bps	37 bps

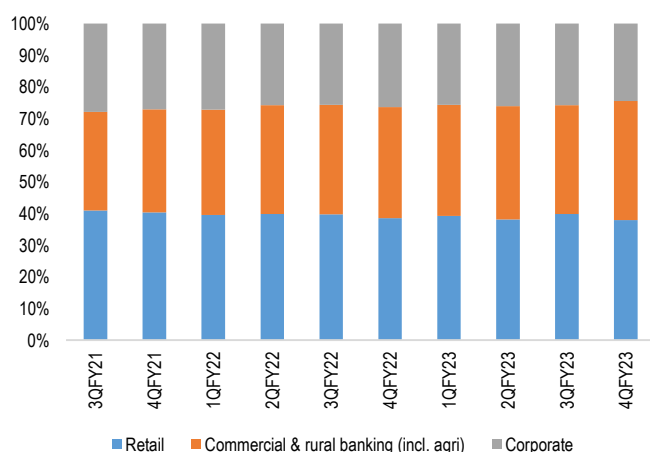
Quarterly Du-pont (%)	Q4FY22	Q1FY23	Q2FY23	3QFY23	4QFY23
NII	3.77	3.73	3.88	4.07	3.92
Non-interest income	1.52	1.22	1.40	1.50	1.47
Total income	5.29	4.95	5.28	5.57	5.39
Opex	2.03	2.01	2.07	2.20	2.26
PPOP	3.27	2.94	3.21	3.36	3.13
Provision	0.66	0.61	0.60	0.50	0.45
PBT	2.60	2.33	2.61	2.87	2.68
Tax	0.60	0.57	0.65	0.70	0.65
ROA	2.01	1.76	1.96	2.17	2.02
Leverage(x)	8.53	8.52	8.60	8.67	8.69
ROE	17.12	15.00	16.82	18.80	17.60

Exhibit 1: Advances growth (%)


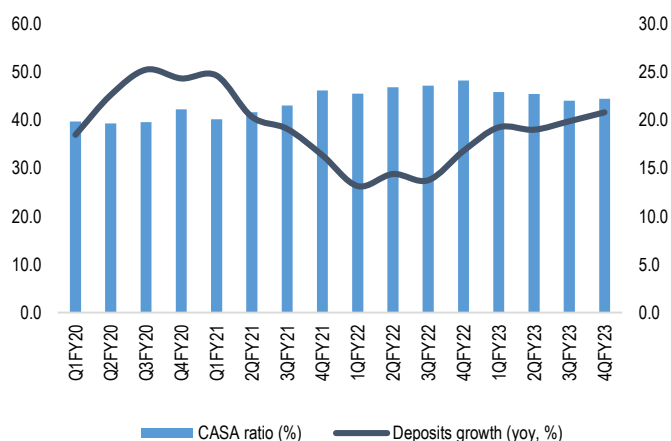
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: NIM (%) (reported)


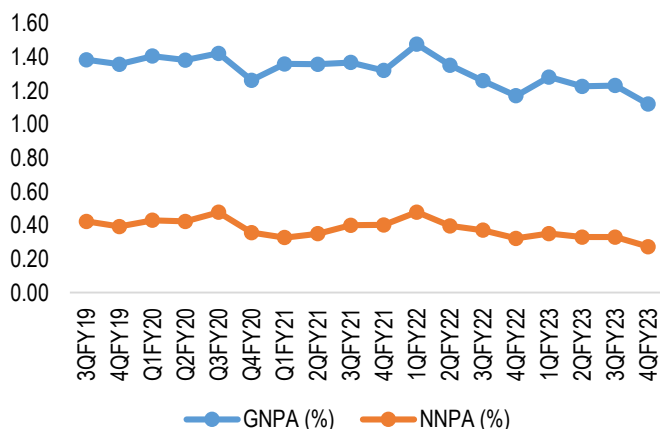
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Loans mix (%)


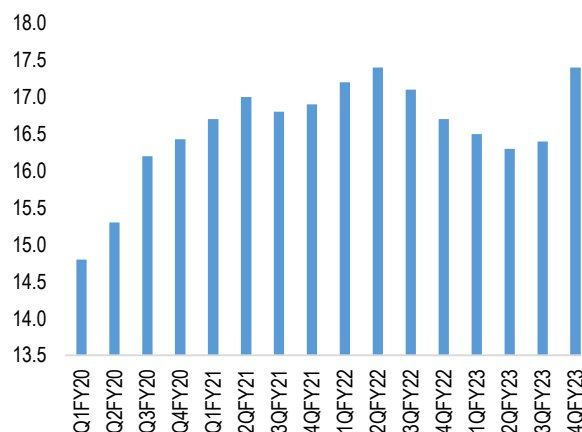
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Deposits growth (%)


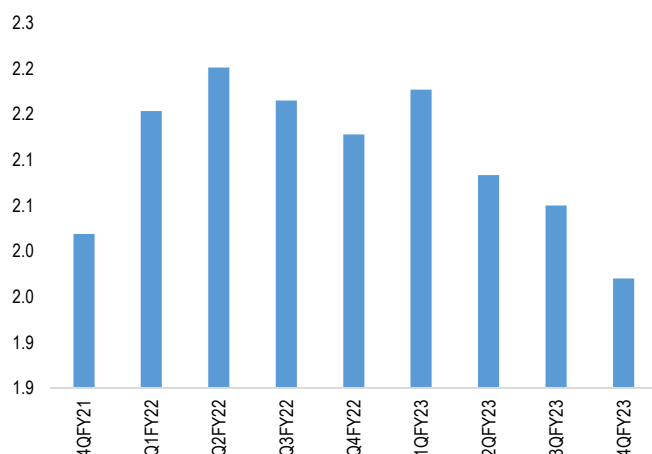
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Asset quality (%)


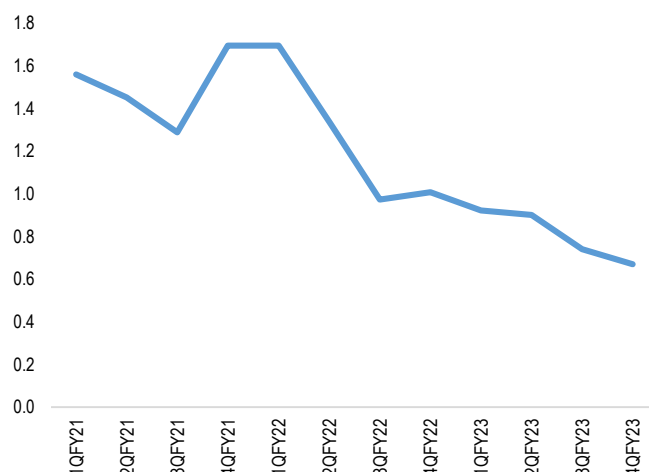
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: CET-1 capital ratio (%)


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Total provisions as % of gross loans (%)


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Credit cost (%)


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Financial summary

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Net interest income	648,796	720,096	868,422	959,363	1,097,806
Pre-provisioning operating profit	573,618	640,773	704,050	828,547	948,648
PAT	311,165	369,614	441,087	508,339	583,733
EPS (Rs)	56	67	79	91	105
BV (Rs)	370	433	502	571	649
P/E (x)	30.0	25.4	21.4	18.6	16.2
P/BV (x)	4.6	3.9	3.4	3.0	2.6
GNPAs (%)	1.3	1.2	1.1	1.3	1.3
NNPAs (%)	0.4	0.3	0.3	0.3	0.3
RoA (%)	1.9	1.9	1.9	1.9	1.9
RoE (%)	16.6	16.7	17.0	17.0	17.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Actual performance vs our estimates

(Rsmn)	4QFY23	4QFY22	3QFY23	YoY (%)	QoQ (%)	4QFY23E	Devi. (%)
Net interest income	2,33,518	1,88,727	2,29,878	23.7	1.6	2,34,241	-0.3
Pre-provisioning Operating Profit	1,86,209	1,63,570	1,90,241	13.8	-2.1	1,93,601	-3.8
PAT	1,20,475	1,00,552	1,22,595	19.8	-1.7	1,21,388	-0.8

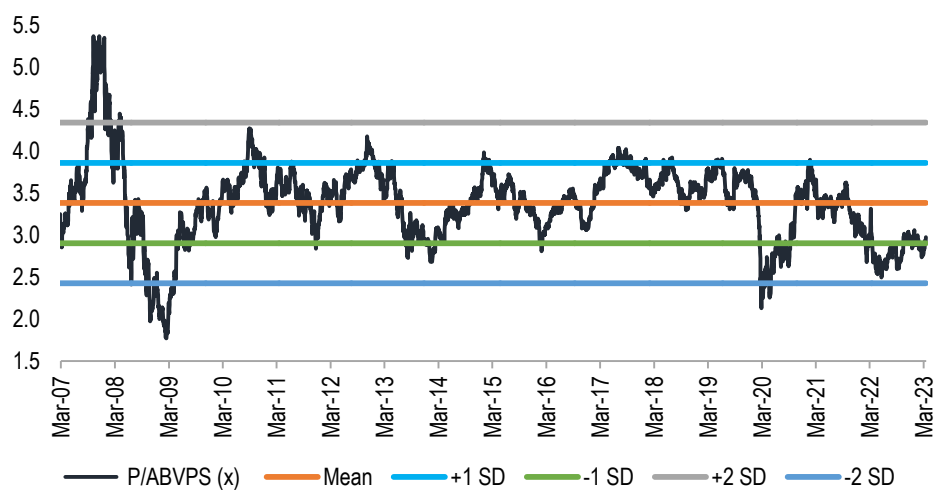
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Change in our estimates

	Revised Estimate		Earlier Estimate		% Revision	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Interest Income (Rsmn)	959,363	1,097,806	991,569	1,123,690	-3.25	-2.30
NIM	3.9	3.9	4.10	4.00	-21 bps	-10 bps
Operating Profit (Rsmn)	828,547	948,648	856,264	983,777	-3.24	-3.57
Profit after tax (Rsmn)	508,339	583,733	527,312	602,506	-3.60	-3.12
Loan Book (Rsbn)	18,487	21,167	18,577	21,322	-0.49	-0.73
BVPS (Rs)	571	649	568	659	0.44	-1.52

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research

Financial statements

Exhibit 13: Income statement

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Interest Income	1,208,582	1,277,531	1,615,856	1,894,870	2,154,942
Interest expense	559,787	557,435	747,433	935,507	1,057,136
Net interest income	648,796	720,096	868,422	959,363	1,097,806
Non-interest income	252,049	295,099	312,148	439,507	485,614
Net Revenue	900,845	1,015,195	1,180,571	1,398,870	1,583,420
Operating Expense	327,226	374,422	476,521	570,323	634,772
-Employee Exp	103,648	120,317	155,124	172,423	187,409
-Other Exp	223,578	254,105	321,397	397,900	447,363
Operating profit	573,618	640,773	704,050	828,547	948,648
Provisions	157,029	150,618	119,197	154,522	174,657
PBT	416,590	490,155	584,853	674,025	773,992
Taxes	105,425	120,541	143,766	165,686	190,259
PAT	311,165	369,614	441,087	508,339	583,733

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Balance sheet

Y/E March (Rsmn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	5,513	5,546	5,580	5,580	5,580
Reserves & Surplus	2,031,696	2,395,384	2,796,411	3,177,665	3,615,465
Shareholder's Funds	2,037,208	2,400,929	2,801,990	3,183,245	3,621,044
Deposits	13,350,602	15,592,174	18,833,947	21,659,038	24,366,418
Borrowings	1,354,873	1,848,172	2,067,656	2,566,596	2,972,703
Other liabilities	726,022	844,075	957,223	983,603	1,101,829
Total liabilities	17,468,705	20,685,351	24,660,815	28,392,482	32,061,995
Cash/Equivalent	1,194,704	1,523,269	1,937,651	2,176,301	2,239,446
Advances	11,328,366	13,688,209	16,005,859	18,486,767	21,167,348
Investments	4,437,283	4,555,357	5,170,014	5,945,516	6,627,790
Fixed Assets	49,093	60,837	80,166	96,704	112,446
Other assets	459,259	857,678	1,467,125	1,687,194	1,914,965
Total assets	17,468,705	20,685,351	24,660,815	28,392,482	32,061,995

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Key ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Growth (%)					
NII	15.5	11.0	20.6	10.5	14.4
Pre-provision profit	17.7	11.7	9.9	17.7	14.5
PAT	18.5	18.8	19.3	15.2	14.8
Business (%)					
Deposit growth	16.3	16.8	20.8	15.0	12.5
Advance growth	14.0	20.8	16.9	15.5	14.5
CD	84.9	87.8	85.0	85.4	86.9
CASA	46.1	48.2	44.4	43.5	43.0
Operating efficiency (%)					
Cost-to-income	36.3	36.9	40.4	40.8	40.1
Cost-to-assets	2.0	2.0	2.1	2.2	2.1
Spreads (%)					
Yield on advances	8.9	7.9	8.6	8.7	8.6
Yield on investments	5.6	5.8	6.4	6.6	6.6
Cost of deposits	4.0	3.4	3.8	3.9	3.9
Yield on assets	7.6	7.0	7.6	7.7	7.6
Cost of funds	4.1	3.5	3.9	4.1	4.1
NIMs	4.1	3.9	4.1	3.9	3.9
Capital adequacy (%)					
Tier I	17.6	17.9	16.5	16.5	16.7
Tier II	1.2	1.0	0.9	0.8	0.8
Total CAR	18.8	18.9	17.5	17.3	17.5
Asset Quality (%)					
Gross NPA	1.3	1.2	1.1	1.3	1.3
Net NPA	0.4	0.3	0.3	0.3	0.3
Provision coverage	69.5	72.5	75.5	74.6	74.5
Slippage	1.4	1.9	2.0	1.9	1.9
Credit-cost	1.5	1.2	0.8	0.9	0.9
Return (%)					
ROE	16.6	16.7	17.0	17.0	17.2
ROA	1.9	1.9	1.9	1.9	1.9
RORWA	2.9	3.0	2.9	2.9	2.9
Per share					
EPS	56	67	79	91	105
BV	370	433	502	571	649
ABV	367	431	500	568	646
Valuation					
P/E	30.0	25.4	21.4	18.6	16.2
P/BV	4.6	3.9	3.4	3.0	2.6
P/ABV	4.6	3.9	3.4	3.0	2.6

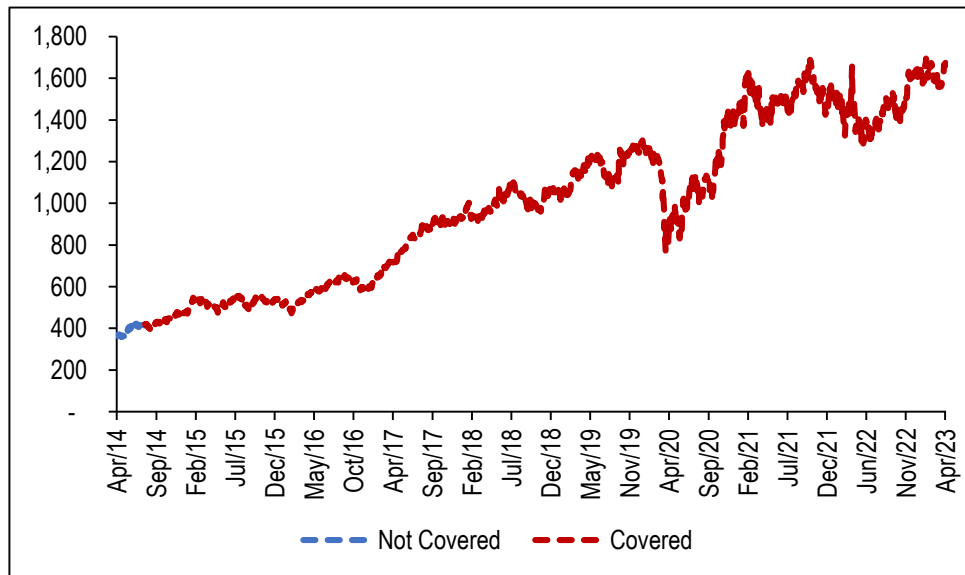
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
22 July 2014	Buy	830	960
8 October 2014	Buy	860	960
22 October 2014	Buy	897	1,060
16 February 2015	Buy	1,066	1,265
24 April 2015	Buy	1,012	1,265
22 July 2015	Buy	1,095	1,265
23 October 2015	Buy	1,095	1,265
27 January 2016	Buy	1,041	1,305
25 April 2016	Buy	1,094	1,315
22 July 2016	Buy	1,230	1,450
26 October 2016	Buy	1,247	1,570
25 January 2017	Buy	1,270	1,570
14 February 2017	Buy	1,311	1,690
24 April 2017	Buy	1,499	1,820
25 July 2017	Buy	1,707	2,025
25 October 2017	Buy	1,866	2,205
22 January 2018	Buy	1,952	2,301
23 April 2018	Buy	1,961	2,301
23 July 2018	Buy	2,189	2,541
9 October 2018	Buy	1,945	2,519
22 October 2018	Buy	1,968	2,442
21 January 2019	Buy	2,131	2,443
8 April 2019	Accumulate	2,306	2,514
22 April 2019	Accumulate	2,293	2,547
8 July 2019	Accumulate	2,472	2,719
22 July 2019	Accumulate	2,376	2,576
7 October 2019	Accumulate	1,190	1,335
22 October 2019	Accumulate	1,229	1,334
8 January 2020	Accumulate	1,257	1,322
20 January 2020	Accumulate	1,278	1,358
27 March 2020	Buy	898	1,282
9 April 2020	Buy	889	1,282
20 April 2020	Buy	915	1,260
9 July 2020	Buy	1,110	1,347
20 July 2020	Buy	1,103	1,425
23 September 2020	Buy	1,038	1,494
7 October 2020	Buy	1,162	1,487
19 October 2020	Buy	1,094	1,484
26 November 2020	Accumulate	1,403	1,594
8 January 2021	Buy	1,416	1,680
18 January 2021	Buy	1,466	1,740
21 February 2021	Buy	1,545	1,832
18 April 2021	Buy	1,431	1,839
18 July 2021	Buy	1,521	1,817
26 September 2021	Buy	1,602	1,954
18 October 2021	Buy	1,687	1,962
16 January 2022	Buy	1,543	2,006
14 March 2022	Buy	1,430	2,151
5 April 2022	Buy	1,654	2,151
17 April 2022	Buy	1,464	2,042
17 July 2022	Buy	1,364	1,999
19 September 2022	Buy	1,497	2,105
16 October 2022	Buy	1,446	1,805
15 January 2023	Buy	1,601	1,854
22 March 2023	Buy	1,563	1,848
17 April 2023	Buy	1,692	1,958

*Stock split 2 for 1 on 19 September 2019

Rating track graph



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as "NBEPL") for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Nikhil Shah, research analyst, the authors of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analysts was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analysts are principally responsible for the preparation of this research report and have taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:

Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
GirishPai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18

Dealing

Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.
Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010