Equity Research
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BSE Sensex: 49207

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Q4FY21 result review, TP and earnings revision

Financials

Target price: Rs3,307

Earnings revision

(%)	FY22E	F23E
PAT	↑ 1	↑ 2

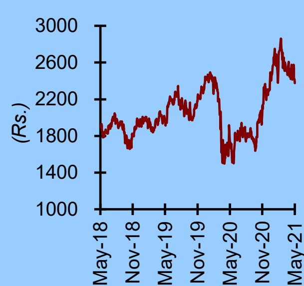
Target price revision
Rs3,307 from Rs3,231

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	0.0	0.0	0.0
Institutional investors	88.5	89.1	88.9
MFs and other	9.4	8.8	8.3
FIs/Banks	0.1	0.0	0.1
Insurance	8.8	8.1	7.5
FIIs	70.2	72.2	73.0
Others	11.5	10.9	11.1

Source: NSE

Price chart



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INDIA

ICICI Securities

HDFC Limited

BUY
Maintain

Collection efficiency stable; stage-2 pool down; core steady

Rs2,496

HDFC Ltd's FY21 earnings reflects its improving market positioning with capital buffer and efficiency, funding cost benefit and contained stress (stage-2/3 pool at 8.7%). Despite weak real estate sentiment amidst covid and 27% exposure to non-individual segments, credit cost was mere 60bps in Q4FY21 as well as FY21. On stress pool (stage-2/3) of 24%/3% in non-individual/individual segments, HDFC is carrying provisions of 8.16%/0.65%. On individual loans, disbursement growth of 60% YoY (3% for FY21) suggests gain in market share. Non-individual AUM growth under pressure due to repayments, pre-payments and cautious stance. Despite shift in mix towards retail segments, NIMs were sustained due to benefit from lower funding cost. AUM growth momentum in low double digits (13% in retail segment) and overall provisioning buffer of 2.6% (of advances) improves visibility on growth and credit cost outlook. Maintain BUY with an SoTP-based target price of Rs 3,307. Key monitorables will be: behaviour of 24% of the non-individual stress pool, and rising competition in retail segment.

- **Stage 2/3 pool down from 9.3% to 8.7% with some resolutions; collection efficiency broadly stable:** Collection efficiency for individual loans has improved only marginally from 97.6% in December to 98% in March. GNPLs settled at 1.98% -- slightly higher than Q3FY21 proforma GNPLs of 1.91% - with individual NPLs at 0.99% (0.98% QoQ) and non-individual NPLs at 4.77% (4.35% QoQ). Stage-3 assets were flat QoQ at 2.3%; however, stage-2 were down from 7.1% to 6.3% due to resolutions in a few non-individual loans during the quarter. Almost 19% of non-individual loans are in stage-2 constituting more than 75% of overall stage-2 pool. HDFC is carrying provisions of 21% on non-individual stage-2 assets. Stage-2 in the individual book is less than 2%. Company has been proactive in downgrading loans to stage-2 wherever it sees even the slightest degree of stress or has sought OTR or ECLGS benefit.
- **Restructuring was lower than in Q3FY21; ECLGS less than 50bps:** Restructuring came in lower than in Q3FY21 at Rs44.8bn – 0.8% (compared to Rs50bn or 0.9% of AUM in Q3FY21). Of the loans being restructured, 27% are individual loans and 73% are non-individual (Rs32bn classified in stage-2). Of the overall restructuring, Rs26bn (0.5% of AUM) pertains to a single group, Shapoorji Pallonji. Balance restructuring in non-individual segment is spread across various accounts. ECLGS request of Rs24.8bn is also majorly included in stage-2, though only Rs9.6bn has been disbursed as yet.
- **Credit cost at sub-60bps for Q4FY21 as well as FY21:** With incremental provisioning of Rs7.2bn, outstanding provisions inched up from Rs123bn to Rs130bn – 2.6% of EAD (exposure at default). Write-offs were less than Rs1bn during the quarter *vs* Rs6.4bn in Q3FY21 and Rs13.7bn for fiscal FY21. Company carries cumulative covid provisions of Rs8.4bn (<20bps). With this buffer, incremental provisioning requirement will be capped at 0.7%/0.4% over FY22E/FY23E respectively.

Market Cap	Rs4502bn/US$60.7bn
Reuters/Bloomberg	HDFC.BO/ HDFC IN
Shares Outstanding (mn)	1,803.9
52-week Range (Rs)	2895/1486
Free Float (%)	100.0
FII (%)	73.0
Daily Volume (US$/'000)	1,55,015
Absolute Return 3m (%)	(10.7)
Absolute Return 12m (%)	40.3
Sensex Return 3m (%)	(3.5)
Sensex Return 12m (%)	54.5

Year to March	FY20	FY21P	FY22E	FY23E
NII (Rs mn)	127,480	149,700	173,040	192,438
Net Income (Rs mn)	179,951	120,273	137,397	169,189
EPS (Rs)	40.5	53.0	58.5	75.5
% Chg YoY	85.7	-35.8	14.2	23.1
P/E (x)	28.1	21.5	19.5	15.1
P/BV (x)	2.9	2.4	2.2	1.9
Net NPA (%)	1.2	1.1	1.7	1.2
Dividend Yield (%)	0.9	0.6	0.8	1.0
RoA (%)	3.7	2.2	2.2	2.4
RoE (%)	22.0	12.3	12.1	13.4

- **Market share gain in retail; repayments/prepayment weigh on non-individual segment growth:** With disbursements of Rs400bn (up 60% YoY) in individual loans in Q4FY21, disbursements that were at 86% of 9MFY20 in the first nine months, ended fiscal FY21 with 3% growth. March, despite being impacted due to disruption in Maharashtra and other states, witnessed the highest ever levels in terms of receipts, approvals and disbursements. This supported 13% growth in individual loans (up 4.8% QoQ), thereby pushing overall AUM growth to 10.3% (up 3.2% QoQ). Run-down and prepayments continued in non-individual segment. FY21 witnessed ~Rs90bn of repayments due to REITs equivalent to almost 7% of non-individual AUM.

  33% of home loans approved in volume terms and 16% in value terms were to customers from the Economically Weaker Section (EWS) and Low Income Groups (LIG). We are building-in loan growth of 14-16% over FY22E/FY23E.

- **NIMs up 10bps despite 'interest on interest' reversals:** Interest expenses were down sharply by 14% YoY / 4% QoQ thereby supporting NIMs at 3.5%. Loan spreads continued at 2.29% (2.28% in Q3FY21) – individual loan spreads at 1.93% (1.94% in Q2FY21) and non-individual at 3.22% (3.14%). This was despite 'interest on interest' reversal of Rs1.15bn on loans above Rs20mn – approximately 10bps impact on NIMs. Unwinding of liquidity to Rs157bn *vs* Rs168bn/Rs225bn/Rs320bn in Q3FY21/Q2FY21/Q1FY21 and bank borrowings getting repriced, supported decline in funding cost. We expect NIMs of 3.3%/3.2% in FY22E/FY23E respectively.

- **HDFC reported Q4FY21 PAT of Rs31.8bn – up 40% YoY / 9% QoQ** and ahead of expectations due to much lower credit cost of 60bps (at Rs7.2bn against expectations of Rs9bn) and also higher fair value change of Rs4.7bn. Also, Q4FY21 earnings included:

  - Net gain on fair value changes and income on loans assigned: Rs4.4bn
  - Charge for employee stock options: Rs1.4bn
  - Fair value gain on investments of Rs4.7bn
  - RWA is further down 2.6% QoQ despite Rs144bn of book accretion during the quarter – reflecting capital efficiency at play.

HDFC Limited Q4FY21 Conference Call Takeaways

<u>2nd covid wave impact</u>

- 2nd wave and partial lockdown has brought new challenges
- ***However, digitisation gives the confidence that company is well equipped than before to handle the situation***
- ***Disbursements in April'21 were higher than disbursements for Q1FY20***
- *Collection efficiency for April'21 is not much different from that seen in April'19 (pre-covid)*
- *There is some impact on enquires due to 2nd covid wave, but at the moment it is reasonably ok and much better than a year ago in April/May 2020*
- *Applications received were fairly good for the month of April'21*

<u>FY21- the year gone by:- Lockdown for first two months and recovery thereafter</u>

- Most of the offices were shut for April & May 2020
- Q1 was impacted due to lockdown, but then for the remaining part of the year especially H2, company saw a steep uptick in individual loan disbursements
- Various government & RBI initiatives (stamp duty cut etc) as well as digitisation enabled HDFC achieve higher than expected loan growth rate for FY21

<u>On individual loans disbursements</u>

- During Q1, individual disbursements were 37% of normal disbursements while in Q2, it were 95% of Q2FY20 disbursements
- For H1FY21, individual disbursements were 35% lower than H2FY20
- H2FY21 has a steep recovery in individual disbursements
- ***Individual loan disbursements, that were at 86% of 9MFY20 ended the fiscal FY21 with 3% growth.***

  For FY21, individual loan disbursements were 3% higher than FY20, as compared to negative growth rate envisaged at the start of the year due to lockdown in first two months of FY21
- ***Individual loan growth on AUM basis was 12%. Had these loans not been sold, individual loan growth would have been 19% and overall loan book growth would have been 15%***
- During the year, loan book rose 11% YoY while AUM grew to Rs 5.69tn vs. Rs 5.16tn in FY20, up 10%
- Don't see material impact on disbursement growth, even if CLSS subsidy is waived
- ***Disbursements (of Rs400bn in Q4FY21) growth was 60% YoY on individual book. Q4FY21 was to an extent impacted due to 2nd covid wave in some parts of Maharashtra and other states.***

On loan, disbursements & sourcing mix

- Loan mix- Individual loan - 77% vs 74% YoY, construction finance 10%, LRD 7% & corporate loans - 6% of total loan book
- FY21 disbursement mix - 92% Individual and balance 8% towards non-individuals
- Q4FY21 disbursement mix - 116% individual and non-individual at -16%
- Loan sourcing mix - 17% towards third party agents, 27% through HDFC Bank, 54% is HDFC sales which is 100% subsidiary and 2% is walk-in customers
- Company has been going slow on construction finance portfolio since the past three years
- ***One of the reason for slow growth in developer finance was formation of REITs. Due to formation of REIT, there were bulky prepayments of LRD. Rs 90bn prepayments during FY21 were primarily towards those loans, which got converted to REITs (almost 7% of opening non-individual book)***

On pre-payments

- ***Generally, pre-payments are in the range of 10-12% of the loan outstanding at the beginning of the year. For FY21, it was 10.3% vs 10.9% for FY20***
- *In absolute terms, repayments was Rs 400bn vs Rs 370bn in FY20 which is a growth of 8% YoY*
- ***Of the total, 60% are full pre-payments, while 40% are part-prepayments***
- Repayments during the quarter largely included part prepayments

On asset quality

- ***GNPLs settled at 1.98% - slightly higher than Q3FY21 proforma GNPLs of 1.91%; with individual NPLs at 0.99% (0.98% QoQ) and non-individuals NPLs at 4.77% (4.35% QoQ).***
- *One time restructured loans downgraded from Stage 1 to Stage 2*
- *Also, loans who have availed ECLGS, for those accounts on a qualitative basis, have been pro-actively downgraded to Stage 2.*
- ***Stage 1 - 91.4%, Stage 2 - 6.3%, Stage 3 - 2.3%***
- ***Extremely pro-active in downgrading loans, wherever company sees even a slightest degree of stress***
- **Company believes that it has enough provision buffer as of now. First phase didn't impact asset quality in a significant manner. Need to watch out how asset quality would be impacted due to 2nd covid wave.**
- ***Non-individual stage 2 at Rs 240bn, of which restructuring is categorized under Stage 2 while some of the accounts under ECLGS on qualitative basis are under Stage 2***
- On construction finance, generally the average LTV is 50% as a thumb rule

On collection efficiency

- ***Collection efficiency for individual loans has up marginally from 96% in Sep'20 97.6% in Dec'20 to 98% in March'21.***

On non-individual resolutions

- Saw some resolution in a few non-individual loans during Q4FY21

On Restructuring

- ***Restructuring came in lower than Q3FY21 at Rs44.8bn – 0.8% (compared to Rs50bn - 0.9% of AUM in Q3FY21)– more than half from one single account.*** Of the loans being restructured, 27% are individual loans and 73% non-individual loans. The largest account under the resolution framework accounted for 0.5% of AUM.
- Single account restructuring has a very huge security cover

On ECLGS

- ECLGS Rs 24.81bn of which Rs 9.36bn has been disbursed in March 2021

On provisions

- ***Very conservative on provisioning and total provision is Rs 130.25bn, which is 137% more than the regulatory requirement of Rs 54.91bn***
- Covid 19 provisions would be reviewed on consistent basis from time to time

On yields, spreads & margins

- Reduction in lending rates is not due to competitive pressure
- Spreads have improved QoQ despite cut in lending rates

On capital adequacy

- CAR – 22.2% of which Tier 1 at 21.5% and Tier II at 0.7%

On rating profile

- Crisil AAA stable reaffirmed for consecutive 26 quarters

On assignment income

- During the quarter, sold loans totalling to Rs 75bn and earned Rs 4bn towards the same.

On deposits

- 52,897 deposit agents who account for 94% of deposit collections
- ***Deposits accounted for 80% of incremental borrowings during FY21***

Table 1: Q4FY21 result review (P/L)

(Rs mn, year ending March 31)

	Q4FY20	Q3FY21	Q4FY21	% YoY	% QoQ
Income statement					
Income from Operations	1,12,046	1,08,374	1,05,930	-5.5	-2.3
Interest expenses	76,618	68,327	65,660	-14.3	-3.9
Net operating income	**35,428**	**40,047**	**40,271**	**13.7**	**0.6**
Other income	7,771	8,790	11,145	43.4	26.8
Net Operating income	**43,198**	**48,837**	**51,416**	**19.0**	**5.3**
Employee cost	1370	1434	1378	0.6	(3.9)
Depreciation	432	516	366	(15.2)	(29.1)
Other costs	1732	3421	3243	87.2	(5.2)
Operating expenses	**3,534**	**5,372**	**4,986**	**41.1**	**(7.2)**
Pre-provisioning profit (PPoP)	**39,664**	**43,465**	**46,429**	**17.1**	**6.8**
Provisions & Writeoffs	12,740	5,940	7,190	(43.6)	21.0
Exceptional items	25	1,571	0		
PBT	**26,924**	**37,525**	**39,239**	**45.7**	**4.6**
Tax	4,599	8,267	7,441	61.8	(10.0)
Tax Rate (%)	17.1	22.0	19.0	188 bps	-307 bps
PAT	**22,325**	**29,258**	**31,798**	**42.4**	**8.7**
PAT (adjusted for exceptional)	**22,301**	**27,687**	**31,798**	**42.6**	**14.8**
EPS (Rs)	**12.9**	**16.4**	**17.7**	**37.2**	**7.8**
Key ratios					
Loan AUM (Rs mn)	51,67,730	55,21,670	56,98,940	10.3	3.2
-Individuals (Rs mn)	39,16,180	42,00,110	44,02,251	12.4	4.8
-Non-Individuals (Rs mn)	12,51,550	13,21,560	12,96,689	3.6	-1.9
Loan Outstanding (Rs mn)	45,09,030	48,39,190	49,82,980	10.5	3.0
Off-book (%)	12.7	12.4	12.6	*-19 bps*	*20 bps*
Yield on loans (%)	9.9	9.2	8.7	*-127 bps*	*-54 bps*
Cost of borrowings (%)	7.5	6.4	6.0	*-152 bps*	*-40 bps*
Spread - Calculated (%)	2.4	2.8	2.7	*25 bps*	*-15 bps*
NIM - reported (%)	3.4	3.4	3.5	*10 bps*	*10 bps*
GNPL (% of total loans)	1.99	1.67	1.98	*-1 bps*	*31 bps*
Provisions as a % of AUM	0.25	0.11	0.13	*-13 bps*	*1 bps*
Leverage (x)	6.1	5.3	5.2	*-87 bps*	*-7 bps*
Capital Adequacy	17.7	20.9	22.2	*450 bps*	*130 bps*
Tier I	16.6	19.9	21.5	*490 bps*	*160 bps*

Source: Company data, I-Sec research

Table 2: Q4FY21 result review (balance sheet)

(Rs mn, year ending March 31)

	Q4FY20	Q3FY21	Q4FY21	% YoY	% QoQ
Equity capital	3,464	3,600	3,608	4.2	0.2
Reserves	8,58,117	10,57,200	10,84,219	26.3	2.6
Share-holders Funds	**8,61,581**	**10,60,800**	**10,87,827**	**26.3**	**2.5**
Total debt	**41,91,020**	**43,39,170**	**44,13,650**	**5.3**	**1.7**
Current liabilities & Provisions	1,85,128	2,00,329	1,57,900	(14.7)	(21.2)
Derivative financial instruments	3,207	4,761	16,609	417.9	248.8
Total sources of funds	**52,40,936**	**56,05,060**	**56,75,986**	**8.3**	**1.3**
Loans & advances	**43,99,430**	**48,26,868**	**48,52,940**	**10.3**	**0.5**
Investments	**6,49,444**	**7,16,860**	**6,86,368**	**5.7**	**(4.3)**
Other current assets	75,172	-4,844	77,268	2.8	(1695.0)
Cash and bank balances	34,257	3,871	11,448	(66.6)	195.7
Fixed assets	9,861	9,700	9,864	0.0	1.7
Deferred tax assets	15,679	17,669	16,553	5.6	(6.3)
Derivative financial instruments	57,093	34,936	21,545	(62.3)	(38.3)
Total uses of funds	**52,40,936**	**56,05,060**	**56,75,986**	**8.3**	**1.3**

Source: Company data, I-Sec research

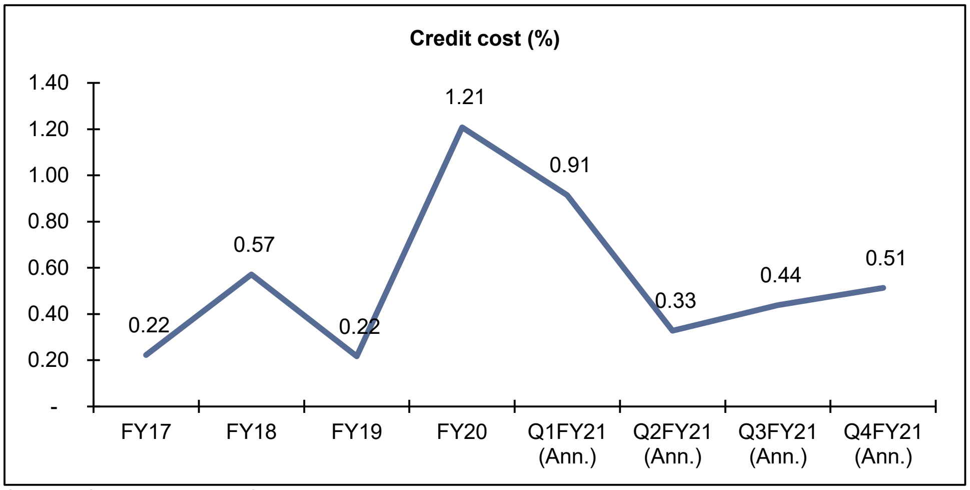
Table 3: Provisioning coverage at 2.62% of AUM, total provisions well above regulatory requirement

(Rs bn, year ending March 31)

	Mar-20	*% of total*	Jun-20	*% of total*	Sep-20	*% of total*	Dec-20	*% of total*	Mar-21	*% of total*
Total Gross Assets	**4,509**	**100%**	**4,645**	**100%**	**4,741**	**100%**	**4,827**	**100%**	**4,972**	**100%**
Gross Stage 1	4,159	92%	4,297	92%	4,404	93%	4,375	91%	4,540	91%
Gross Stage 2	248	5%	247	5%	233	5%	342	7%	315	6%
Gross Stage 3	103	2%	102	2%	104	2%	110	2%	116	2%
Total Net Assets	**4,399**	**100%**	**4,523**	**100%**	**4,618**	**100%**	**4,704**	**100%**	**4,842**	**100%**
Net Stage 1	4,155	92%	4,286	92%	4,391	93%	4,366	90%	4,529	91%
Net Stage 2	190	4%	183	4%	174	4%	282	6%	257	5%
Net Stage 3	54	1%	54	1%	53	1%	56	1%	56	1%
Total Provisions	**110**	**2.44%**	**123**	**2.64%**	**123**	**2.60%**	**123**	**2.56%**	**130**	**2.62%**
ECL Provision Stage 1	3	0%	10	0%	13	0%	9	0%	11	0%
ECL Provision Stage 2	58	23%	64	26%	59	25%	60	18%	59	19%
ECL Provision Stage 3	49	48%	48	47%	51	49%	54	49%	61	52%

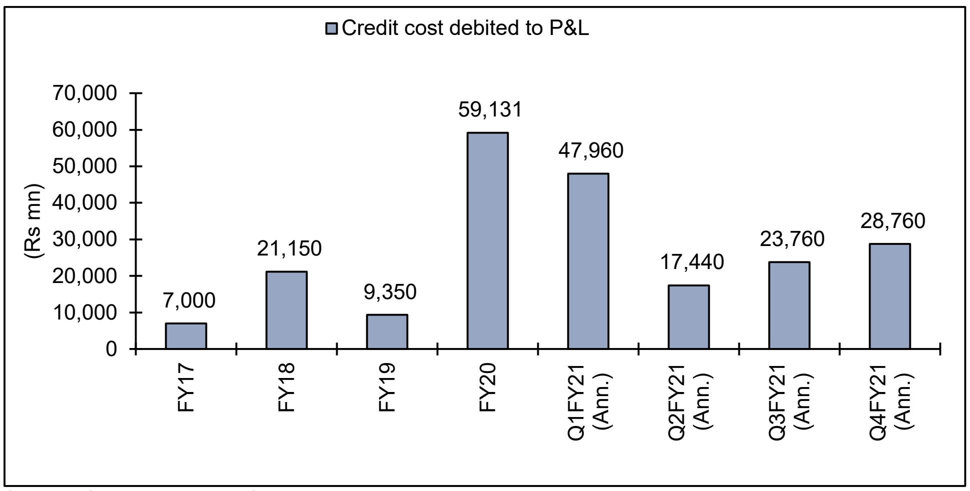
Note: % in total provisions refers to coverage ratio
Source: Company data, I-Sec research

Chart 1: Credit cost managed at much lower than expected level



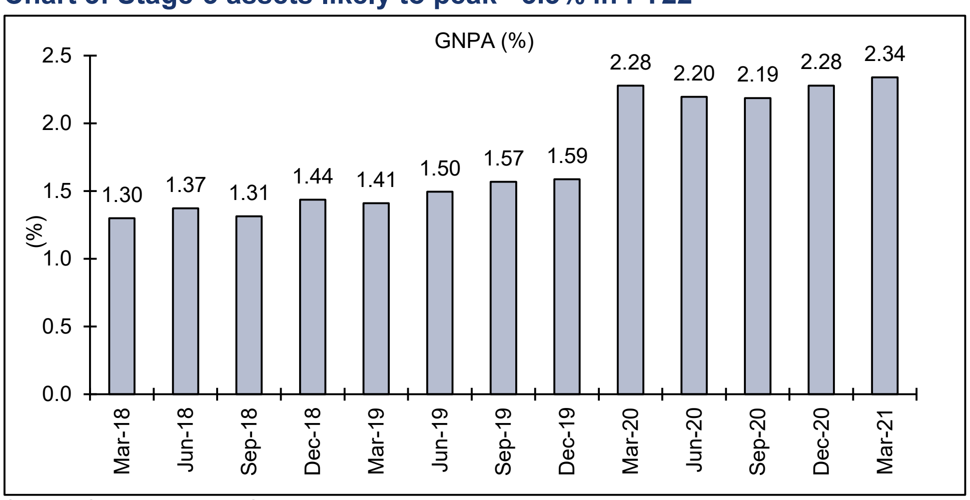
Source: Company data, I-Sec research

Chart 2: Pro-active provisioning is now helping to control credit cost



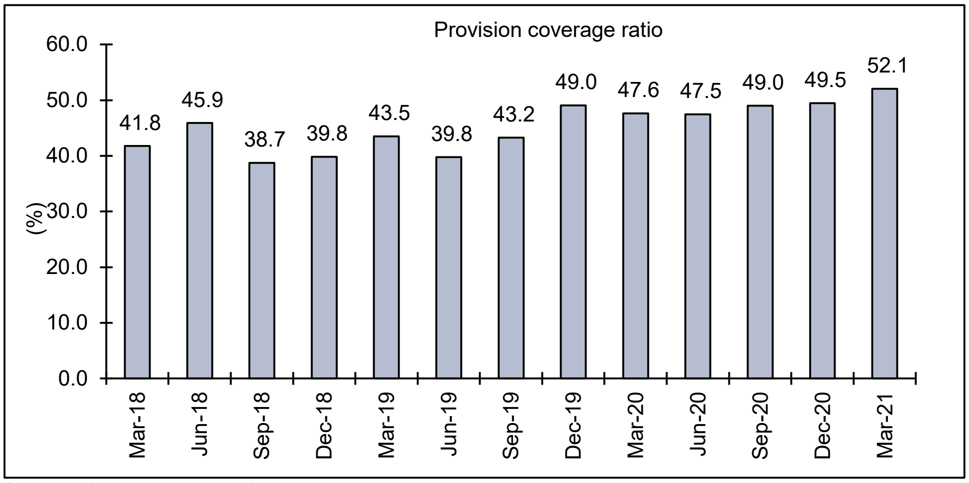
Source: Company data, I-Sec research

Chart 3: Stage-3 assets likely to peak ~3.3% in FY22



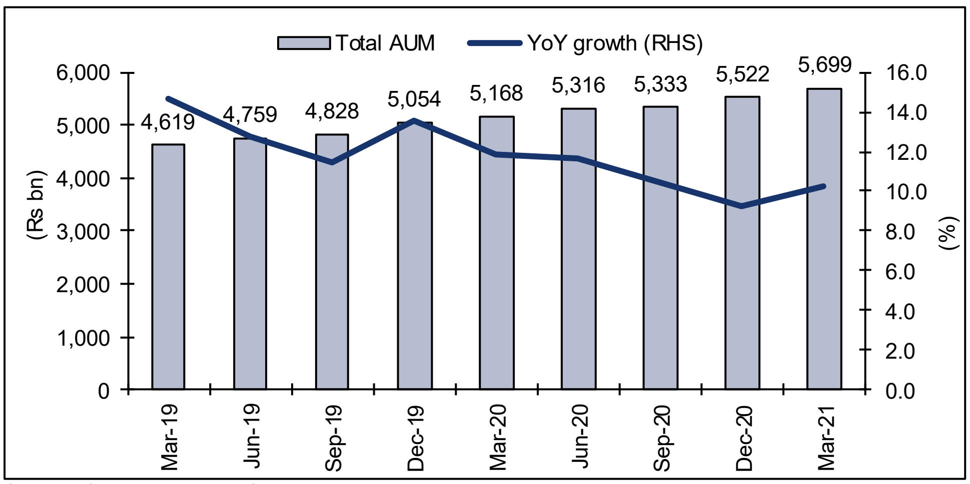
Source: Company data, I-Sec research
Note: Mar-18 onwards, numbers are under IND-AS

Chart 4: Adequately covered given the collateralised nature of lending



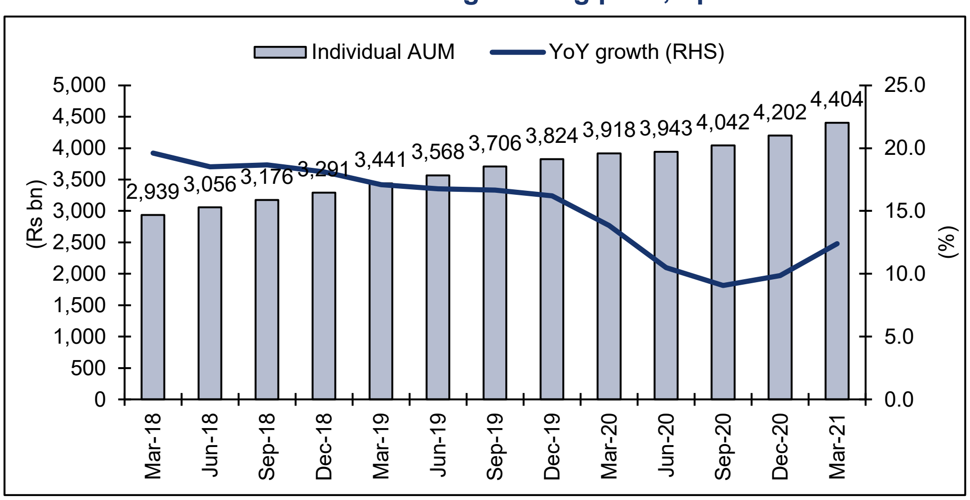
Source: Company data, I-Sec research

Chart 5: AUM growth led by market share gain in retail home loans



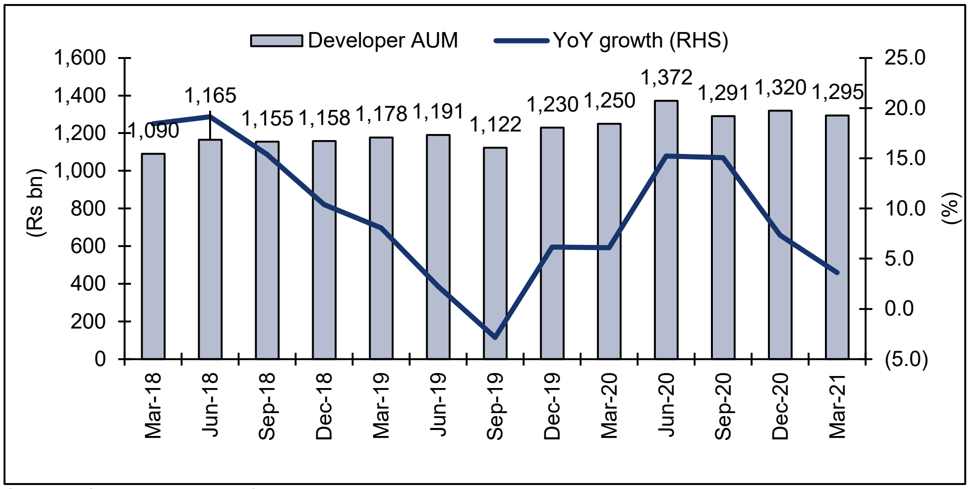
Source: Company data, I-Sec research

Chart 6: Individual disbursements gathering pace; up 60% YoY



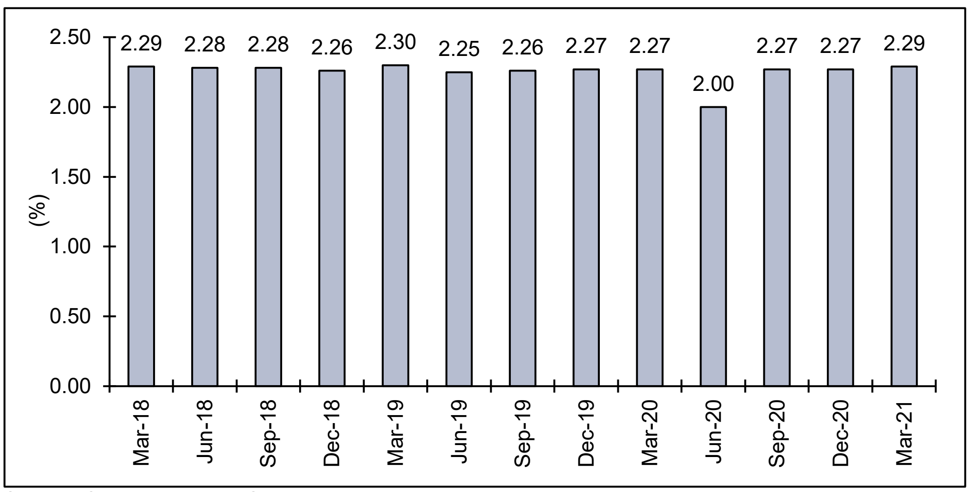
Source: Company data, I-Sec research

Chart 7: Prepayments & cautious stance drags non-individual segment growth



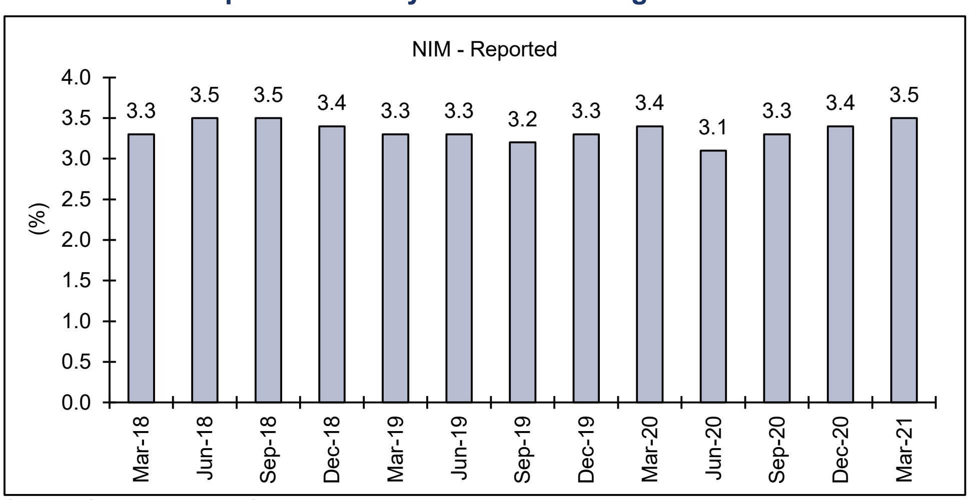
Source: Company data, I-Sec research

Chart 8: Spreads sustain due to unwinding of liquidity buffer & lower funding cost



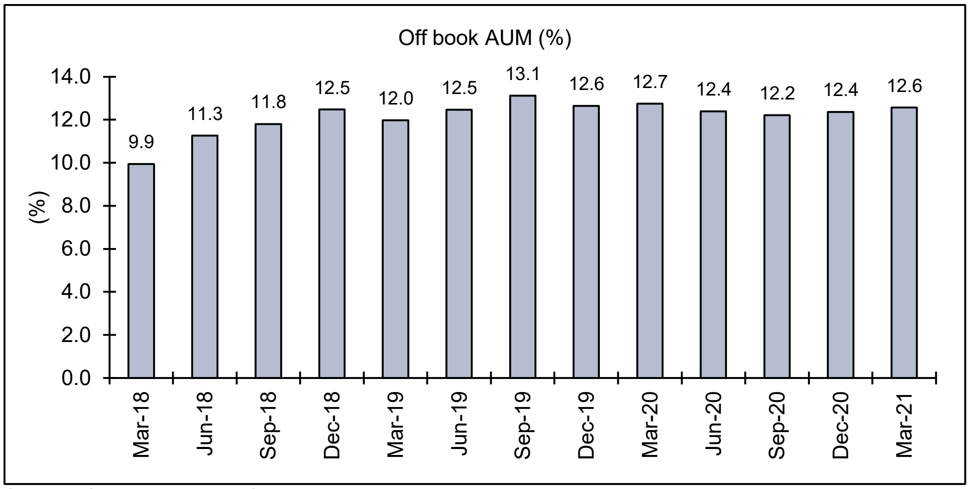
Source: Company data, I-Sec research

Chart 9: NIMs improve aided by lower borrowing cost



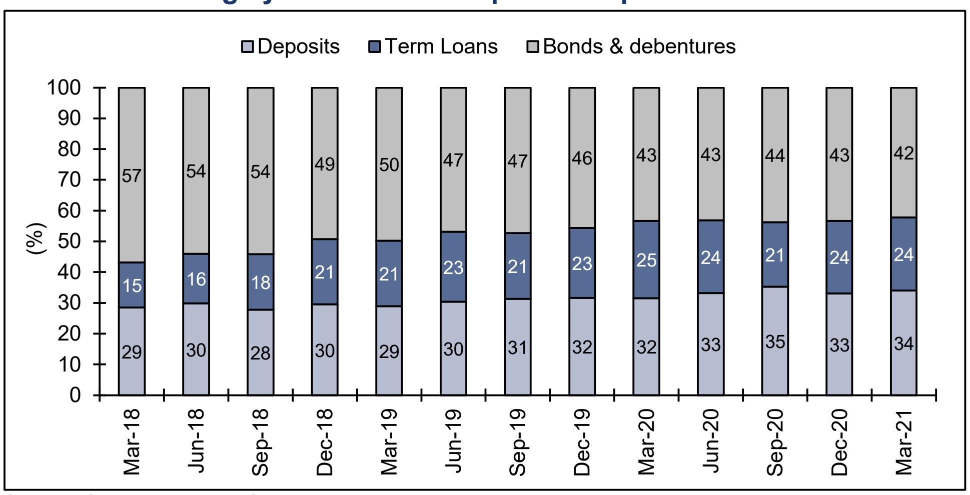
Source: Company data, I-Sec research

Chart 10: Regular sell-downs to HDFC Bank continues



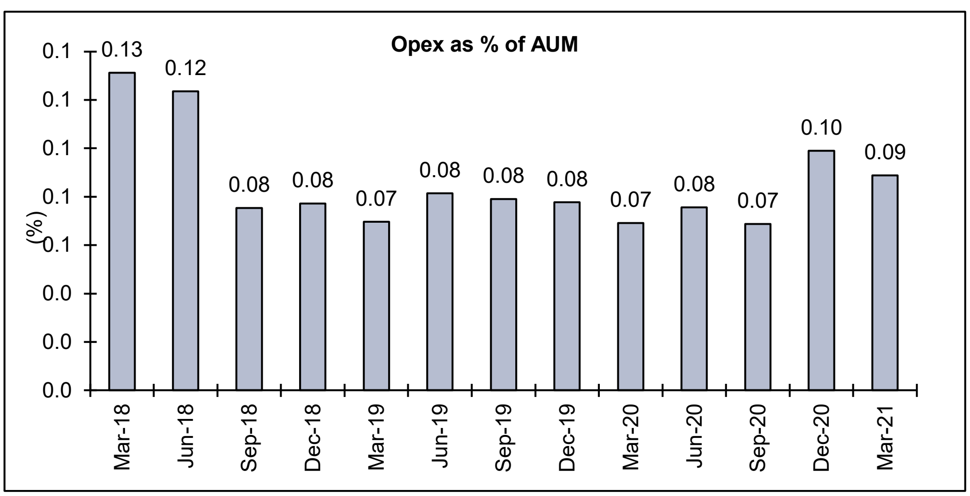
Source: Company data, I-Sec research

Chart 11: Mix largely stable over the past few quarters



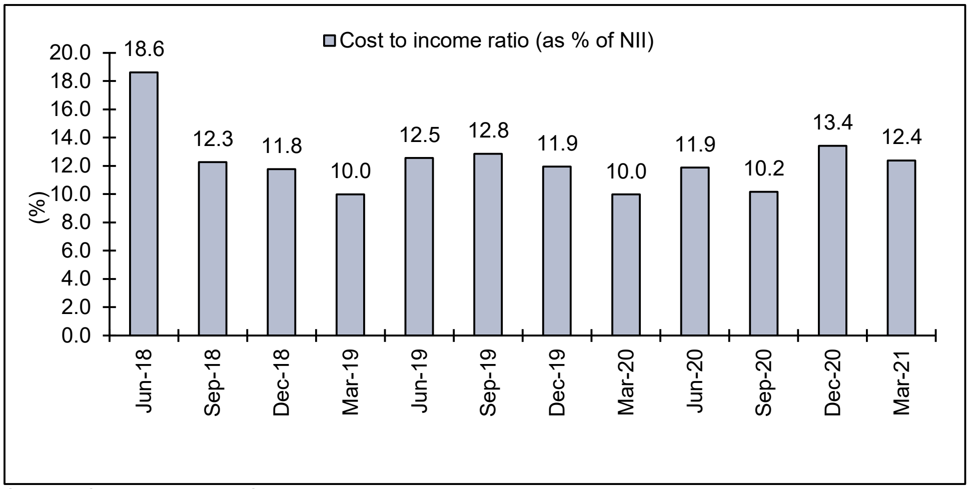
Source: Company data, I-Sec research

Chart 12: Opex as a % of AUM well within range



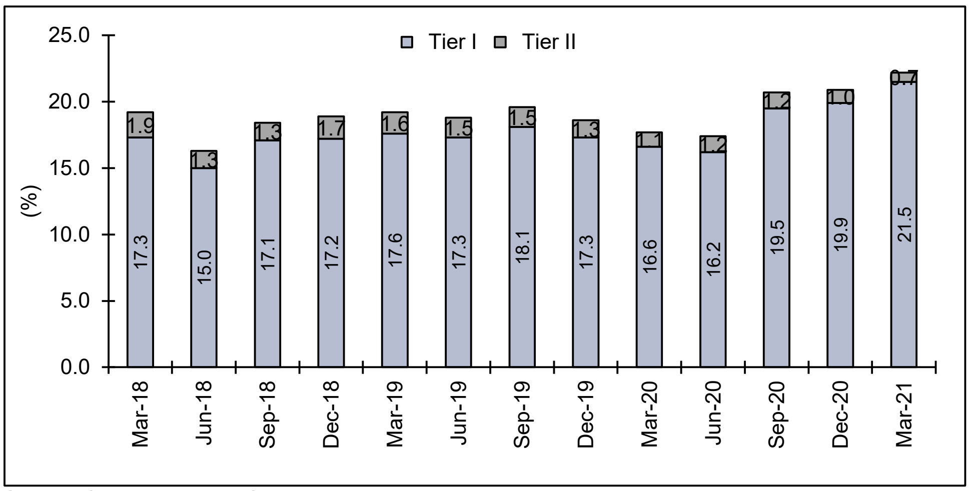
Source: Company data, I-Sec research

Chart 13: Cost-to-income ratio back to lower levels after a spike in Q3



Source: Company data, I-Sec research

Chart 14: Capital adequacy healthy at 22.2%



Source: Company data, I-Sec research

Table 4: SoTP-based target price

Subsidiary/Associate/JV	% stake	Basis	Multiple/TP /CMP	Total valuation (Rs mn)	Per share value (Rs)
HDFC Bank	19.3%	Target Price	1818.0	14,47,880	803
HDFC Standard Life	50.0%	Target Price	841.0	6,36,518	353
HDFC ERGO General Insurance	50.5%	Book Value	3.0	29,582	16
HDFC AMC	52.7%	Market value	3284.0	2,75,840	153
HDFC Venture Capital	80.5%	AUM	10.0%	884	0
Bandhan Bank	9.9%	Target Price basis	501	59,830	33
Value of subs (post holdco discount)					**1358**
Core Mortgage Business		Book Value	3.2	35,14,038	1948
Total SOTP Valuation (Rs)				**43,94,251**	**3,307**

Source: Company data, I-Sec research

Financial summary

Table 5: Profit and loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21P	FY22E	FY23E
Interest earned	3,92,402	4,37,493	4,35,847	4,77,321	5,48,858
Interest expended	2,78,377	3,10,014	2,86,148	3,04,280	3,56,419
Net interest income	**1,14,026**	**1,27,480**	**1,49,700**	**1,73,040**	**1,92,438**
Other income	41,378	1,50,140	45,911	62,962	68,711
Operating expenses	5,457	5,455	7,251	7,917	8,730
Employee costs	5,054	5,793	9,141	12,620	8,965
Depreciation	665	1,477	1,588	1,557	1,719
Pre-provisioning op profit	**1,40,538**	**2,64,894**	**1,77,631**	**2,13,909**	**2,41,736**
Provisions & contingencies	9,350	59,131	29,480	42,163	30,250
Profit before tax	**1,31,188**	**2,05,763**	**1,48,151**	**1,71,746**	**2,11,486**
Income taxes	34,863	25,813	27,878	34,349	42,297
Net profit	**96,325**	**1,79,951**	**1,20,273**	**1,37,397**	**1,69,189**

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21P	FY22E	FY23E
Share Capital	3,443	3,464	3,608	3,608	3,608
ESOPs					
Reserves and surplus	7,70,112	8,58,117	10,84,219	11,78,126	13,47,315
Minority Interest					
Borrowings	36,52,660	41,91,020	44,13,650	51,75,476	59,40,925
Current liabilities & provisions	1,61,561	1,88,335	1,74,509	1,98,812	2,26,578
Total liabilities & stockholders' equity	**45,87,776**	**52,40,936**	**56,75,986**	**65,56,023**	**75,18,426**
Loans & advances	40,07,600	43,99,430	48,52,940	56,64,081	65,49,766
Fixed assets	6,442	9,861	9,864	11,990	14,574
Investments	4,65,617	6,49,444	6,86,368	7,42,946	8,04,189
Cash and Balance	15,963	34,257	11,448	9,324	7,595
Current assets	83,845	1,32,265	98,813	1,17,139	1,39,163
Deferred tax assets	8,309	15,679	16,553	10,542	3,140
Total assets	**45,87,776**	**52,40,936**	**56,75,986**	**65,56,023**	**75,18,426**

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY19	FY20	FY21P	FY22E	FY23E
Growth:					
AUM	14.7	11.9	10.3	13.9	15.9
Net Interest Income	18.5	11.8	17.4	15.6	11.2
Total Non-Interest Expenses	-22.0	-14.4	41.3	22.9	-12.1
Pre provisioning operating profits	-8.2	88.5	-32.9	20.4	13.0
PAT	-12.1	86.8	-33.2	14.2	23.1
EPS	-16.9	85.7	-35.8	14.2	23.1
Yields, interest costs and spreads (%)					
NIM on AUM	3.0	3.0	3.2	3.3	3.2
Yield on loan assets	9.85	9.91	9.00	8.71	8.66
Average cost of funds	8.13	7.90	6.65	6.35	6.41
Interest Spread on loan assets	1.72	2.00	2.35	2.37	2.24
Operating efficiencies					
Non interest income as % of total income	9.5	25.5	9.5	11.7	11.1
Cost to income ratio (%)	13.0	10.0	12.0	12.8	10.1
Op.costs/avg AUM (%)	0.3	0.3	0.3	0.4	0.3
No of employees (estimate)	2,745	2,915	3,085	3,255	3,425
No of branches	341	356	371	386	401
Average annual salary (Rs)	18,41,275	19,87,238	29,63,079	38,77,246	26,17,485
Annual inflation in average salary(%)	11.4	7.9	49.1	30.9	-32.5
Salaries as % of non-int.costs (%)	34.0	45.5	50.8	57.1	46.2
NII /employee (Rsmn)	4,154	4,373	4,853	5,316	5,619
AUM/employee(Rsmn)	1,683	1,773	1,847	1,994	2,196
AUM/ branch (Rs mn)	13,546	14,516	15,361	16,811	18,755
Capital Structure					
Debt-Equity ratio	4.7	4.9	4.1	4.4	4.4
Leverage (x)	5.9	6.1	5.2	5.5	5.5
CAR (%) -standalone	19.2	17.7	22.2	21.4	21.1
Tier 1 CAR (%) -standalone	17.6	16.6	21.5	20.2	19.9
Tier 2 CAR (%) - standalone	1.6	1.1	0.7	1.2	1.2
Asset quality and provisioning					
GNPA (%)	1.4	2.3	2.3	3.3	2.2
NNPA (%)	0.8	1.2	1.1	1.7	1.2
GNPA	57,430	1,02,730	1,16,320	1,86,915	1,44,095
NNPA	32,440	53,810	55,750	99,065	79,252
Coverage ratio (%)	43.5	47.6	52.1	47.0	45.0
	0.22	1.21	0.54	0.69	0.43
Return ratios & capital management					
RoAA (%)	2.2	3.7	2.2	2.2	2.4
RoAE (%)	13.5	22.0	12.3	12.1	13.4
Payout ratio (%)	33.3	12.5	20.2	26.3	26.7
Valuation Ratios					
EPS (Rs)	42.5	40.5	53.0	58.5	75.5
EPS (core business) (Rs)	58.7	61.6	47.1	42.7	33.1
Price to Earnings (adj)	26.8	28.1	21.5	19.5	15.1
BVPS (Rs)	449.4	497.4	603.0	655.1	748.9
BVPS (core business) (Rs)	351.4	387.1	483.2	521.4	601.3
Price to Book (adj)	3.2	2.9	2.4	2.2	1.9
Dividend yield (%)	0.8	0.9	0.6	0.8	1.0

Source: Company data, I-Sec research

Table 8: Du-pont analysis

(Rs mn, year ending March 31)

	FY19	FY20	FY21P	FY22E	FY23E
Interest earned	10.4	10.4	9.4	9.1	9.0
Interest expended	7.3	7.4	6.2	5.8	5.8
Gross Interest Spread	**3.0**	**3.0**	**3.2**	**3.3**	**3.2**
Provisioning for NPAs	0.2	1.4	0.6	0.8	0.5
Net Interest Spread	**2.8**	**1.6**	**2.6**	**2.5**	**2.7**
Operating cost	0.4	0.3	0.4	0.4	0.3
Lending spread	**2.4**	**1.3**	**2.2**	**2.1**	**2.3**
Non-interest income	1.1	3.6	1.0	1.2	1.1
Operating spread	**3.5**	**4.9**	**3.2**	**3.3**	**3.5**
Tax	0.9	0.6	0.6	0.7	0.7
Return on average loan assets	**2.5**	**4.3**	**2.6**	**2.6**	**2.8**
Effective leverage (average loan assets/ average equity)(x)	5.3	5.1	4.7	4.6	4.8
RoAE	**13.5**	**22.0**	**12.3**	**12.1**	**13.4**

Source: Company data, I-Sec research

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