

INDUSTRY	BANKS
CMP (as on 3 May 2017)	Rs 273
Target Price	Rs 345
Nifty	9,312
Sensex	29,895
KEY STOCK DATA	
Bloomberg	ICICIBC IN
No. of Shares (mn)	5,825
MCap (Rs bn) / (\$ mn)	1,587/24,768
6m avg traded value (Rs mn)	4,892
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 298/213
	3M 6M 12M
Absolute (%)	(3.1) 1.1 23.4
Relative (%)	(9.0) (7.9) 4.9
SHAREHOLDING PATTERN (%)	
Promoters	-
FIs & Local MFs	41.31
FPIs	46.91
Public & Others	11.78
Source : BSE	

Darpin Shah
darpin.shah@hdfcsec.com
+91-22-6171-7328

Pranav Gupta
pranav.gupta@hdfcsec.com
+91-22-6171-7328

Hits > misses

ICICIBC's 4Q results were a pleasant surprise, with (1) A sharp drop in net stressed assets, (2) Healthy domestic loan growth at 14%, led by retail, (3) NIM improvement, (4) Controlled opex (+2% QoQ), (5) Sustained momentum in CASA and (6) In-line net earnings, despite reversals of Rs 2.9bn towards foreign currency translation gains. However, the bank utilised contingent provisions of Rs 15.3bn during the quarter.

While slippages were elevated, we note that it includes an exposure of Rs 54bn to one large cement company. Excl. this, slippages were lower at ~16% QoQ.

We have tweaked our estimates to factor in better-than-estimated NIM, an improved loan trajectory, healthy CASA and a sharp drop in the watchlist. We believe that chunky corporate exposures will continue to haunt the bank in the near term. However, we remain admirers of ICICIBC's rising granularity in the B/S and P&L (fees), healthy capital

Financial Summary

(Rs bn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17P	FY18E	FY19E
Net Interest Income	59.62	54.05	10.3%	53.63	11.2%	212.2	217.4	235.2	268.0
PPOP	51.12	71.08	-28.1%	55.24	-7.5%	238.6	264.9	223.6	251.7
PAT	20.25	7.02	188.5%	24.42	-17.1%	97.3	98.0	101.3	116.8
EPS (Rs)	3.5	1.2	187.8%	4.2	-17.3%	16.7	16.8	17.4	20.0
Core ROAE (%)						11.1	10.1	10.8	11.5
Core ROAA (%)						1.42	1.31	1.24	1.28
Adj. BVPS (Rs)						113	110	123	146
P/ABV (x)#						2.03	1.94	1.70	1.34
P/E (x)#						13.8	12.7	12.0	9.8

Source: Bank, HDFC sec Inst Research; Note : # adjusted for embedded value of subs

position and expected value unlocking in subs. Maintain BUY with a SOTP of Rs 345 (1.75x Mar-19E ABV of Rs 146 + Rs 89 from subs).

Highlights of the quarter

- Elevated slippages, net stressed assets dip:** Elevated slippages (Rs 113bn, 9.8% annu.) were led by downgrades of Rs 80bn (incl. one cement exposure) from the watchlist, and relapse of Rs 18bn. However, the net stressed book (NPA + Rest+ Watchlist) declined 10% QoQ to Rs 488bn (10.5% vs. 11.8% QoQ). Our slippages assumption of avg. 3.65% over FY17-19E provides an upside risk, given the small proportion of the restructured book and sharp drop in the watchlist.
- NIM uptick is a positive surprise:** Sequential NIM improvement (3.6%, +45bps) was led by a sharp drop in CoF (24bps QoQ), int. on tax refund (Rs 2bn), and interest recoveries in NPA exposures (12-13bps), despite higher slippages. With expected yield pressure (higher slippages and shift to MCLR-linked loans), we have factored in NIMs at 3.3% over FY16-19E.

Watch-list Exposure

Rs bn	4QFY17	QoQ (%)
Power	62.3	(25.4)
Iron/Steel	39.7	(11.5)
Cement	2.9	(94.8)
Rigs	0.4	(4.4)
Promoter entity	32.7	(4.5)
Total watch-list	190.4	(30.9)

Movement In Watch-list

Rs bn	1Q	2Q	3Q	4Q
Opening	440.7	387.2	324.9	275.4
Reduction	7.8	16.8	21.2	5.9
Slippage	45.6	45.6	29.4	79.8
Closing	387.2	324.9	275.4	190.4

■ Sequentially higher slippages led by large exposures:

Gross additions remain elevated, with slippages of Rs 113bn (9.8% vs. 6.2% annu.) as it incl. downgrades of Rs 79.6bn from the watchlist (Rs 53.8bn from one large cement exposure) and relapse of Rs 18bn. However, the retail slippages were stable QoQ at Rs 4.4bn. While the cement exposure is downgraded to NPA, the management hinted at partial (~50%) upgrades in the coming quarters (with most of the regulatory clearance already in place).

- While NNPA jumped 26% QoQ to Rs 254bn, the net impaired assets (NNPA + restructured book), along with the watch-list declined ~10% QoQ (20% FY17) to Rs 488bn (i.e.10.5% vs. 11.8% of loans and 15.1% in FY16).

- We have conservatively factored in slippages at avg. 3.65% over FY17-19E, despite a small restructured book and sharp drop in the watchlist, which provide an upside to our estimates.

- **Superior liability franchise:** Led by healthy SA growth of 28/4% YoY/QoQ and CA growth of 27/13%, the CASA ratio improved 50bps QoQ (after 410bps QoQ in 3Q) to 50.4%. On an avg. daily basis, CASA ratio improved 170bps (after 330bps QoQ in 3Q) to 46.5%.

- **Uptick in NIMs, a positive surprise:** Despite higher slippages, NIMs improved ~45bps QoQ to 3.57%. The sharp NIM improvement was led by (1) Interest on

tax refund of Rs 2bn and (2) Recovery in NPA exposures (12-13bps impact) and (3) A sharp drop of 24bps in CoF. Domestic NIM improved 45bps QoQ to 3.96%, and foreign NIM improved 18bps QoQ 1.0%.

- Shift from base rate to MLCR-linked loans, drop in MCLR rates and relatively elevated slippages will keep yields under pressure. However, an increased share of domestic loans and drop in CoF will provide a cushion to margins. We estimate NIMs at 3.3% in FY17E/FY18E.

- **Healthy domestic growth led by retail:** The overall loan growth was muted at 7% YoY (+1.5% QoQ) and attributed to a sharp (21/10% YoY/QoQ) drop in the overseas book (Rs 747bn, 16% of loans, -200bps). Domestic loans grew ~14/4% YoY/QoQ led by sustained momentum in retail loans (~18/8% YoY/QoQ, 51.8% of total loans, +290bps QoQ). Subdued performance in Corp loans continued, with a tepid growth of 6% YoY (-3% QoQ).

- Among the Retail loans, growth is encouragingly broad-based, led by unsecured businesses like PL, CC (on a smaller base), along with rural and business loans.

- We have factored loan CAGR of 15% over in FY17-19E.

- **Other highlights:** ICICIB declared a bonus in the ratio of 1:10 i.e. one share for every ten shares.

SOTP

	Rs bn	Per Share	Rationale
ICICI Bank	1,489	256	1.75x Mar-19E Core ABV of Rs 146
ICICI Life Insurance	352	61	3x Mar-19 EV
ICICI General Insurance	68	12	10x FY19E PAT
ICICI AMC	32	6	5% of FY19E AUM
ICICI UK	40	7	1x FY19E BV
ICICI Canada	49	8	1x FY19E BV
ICICI Housing Finance	44	8	2.0x FY19E ABV
ICICI Sec	49	8	10x FY19E PAT
Others	15	3	I Ventures and others
Total Value Of Subsidiaries	620	112	
Less: 20% Holdco Discount	124	22	
Net Value Of Subsidiaries	496	89	
Total Value	1,985	345	
Current Value	1,586	273	
Upside (%)	26.6	26.6	

Source: HDFC sec Inst Research;

Five Quarters At A Glance

Rs bn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	YoY Growth	QoQ Growth
Net Interest Income	54.0	51.6	52.5	53.6	59.6	10.3%	11.2%
Non-interest Income	51.1	34.3	91.2	39.4	30.2	-40.9%	-23.4%
Treasury Income	21.9	7.7	64.1	8.9	5.0	-77.0%	-43.7%
Operating Income	105.1	85.9	143.7	93.0	89.8	-14.6%	-3.5%
Operating Expenses	34.1	33.7	37.4	37.8	38.7	13.5%	2.4%
Pre Provision Profits (PPoP)	71.1	52.1	106.4	55.2	51.1	-28.1%	-7.5%
Provisions And Contingencies	69.3	25.1	70.8	27.1	29.0	-58.2%	6.8%
PBT	1.8	27.0	35.5	28.1	22.1	1121.1%	-21.3%
Provision For Tax	(5.2)	4.7	4.5	3.7	1.9	NA	-48.8%
PAT	7.0	22.3	31.0	24.4	20.2	188.5%	-17.1%

Balance Sheet items/ratios

Deposits	4,214	4,241	4,491	4,653	4,900	16.3%	5.3%
CASA Deposits	1,931	1,913	2,052	2,320	2,468	27.8%	6.4%
Advances	4,353	4,494	4,543	4,575	4,642	6.7%	1.5%
CD Ratio (%)	103.3	106.0	101.2	98.3	94.7	-855 bps	-359 bps
CAR (%)	16.6	16.5	16.7	16.7	17.4	75 bps	66 bps
Tier I (%)	13.1	13.0	13.3	13.3	14.4	127 bps	103 bps

Profitability

Yield On Funds (%)	8.4	8.2	8.1	7.9	8.1	-27 bps	21 bps
Cost Of Funds (%)	5.7	5.7	5.6	5.4	5.2	-51 bps	-24 bps
NIM (%)	3.37	3.16	3.13	3.12	3.57	20 bps	45 bps
Cost-Income Ratio (%)	32.4	39.3	26.0	40.6	43.1	1067 bps	246 bps
Tax Rate (%)	(287.2)	17.3	12.7	13.1	8.5	NA	-460 bps

Asset quality

Gross NPA (Rs bn)	262.2	271.9	325.5	380.9	425.5	62.3%	11.7%
Net NPA (Rs bn)	133.0	150.4	162.1	201.5	254.5	91.4%	26.3%
Gross NPAs (%)	5.21	5.87	6.82	7.20	7.89	268 bps	69 bps
Net NPAs (%)	2.67	3.35	3.57	3.96	4.89	222 bps	93 bps
Delinquency ratio (%)	6.44	7.46	7.11	6.17	9.80	336 bps	362 bps
Coverage Ratio (%)	50.6	44.7	50.2	47.8	40.2	-910 bps	-689 bps
Restructuring O/s (%)	1.97	1.61	1.39	1.40	0.92	-105 bps	-48 bps

Change In Estimates

(Rs bn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	249	235	-5.7%	281	268	-4.6%
PPOP	247	224	-9.5%	275	252	-8.4%
PAT	105	101	-3.8%	124	117	-6.0%
Adj. BVPS (Rs)	131.0	122.5	-6.5%	148.0	146.3	-1.1%

Source: HDFC sec Inst Research

Inc. Rs 2bn interest on tax refund and interest recovery in NPA (12-13bps); 9% ahead of estimates

Reversed Rs 2.9bn towards foreign currency translation gains. Fees grew ~11% led by retail fees (+16%); 70% of total fees

Utilised contingent provisions of Rs 15.3bn

CASA ratio +50bps (after +410bps QoQ in 3) at ~50.4%; Avg CASA ratio up 170bps QoQ (after 330bps QoQ in 3Q) to 46.5%

Domestic loans +14% were led by retail (18%); overseas loans dipped 20/10%

Domestic NIM stood at 3.96% (+45bps QoQ); foreign NIM jumped to 1.01% (+18bps QoQ)

Watch-list down ~31% QoQ (51% FY17) to Rs 190bn with a sharp drop in cement and power exposures, the mgmt hinted at a partial upgrade in the cement exposure in coming quarters

Incl. slippages of Rs 80bn from watchlist (incl. Rs 53.8bn from one cement AC) and Relapse of Rs 18bn; Retail slippages were stable QoQ at Rs 4.4bn

**Overseas book declined
~21/10% YoY/QoQ**

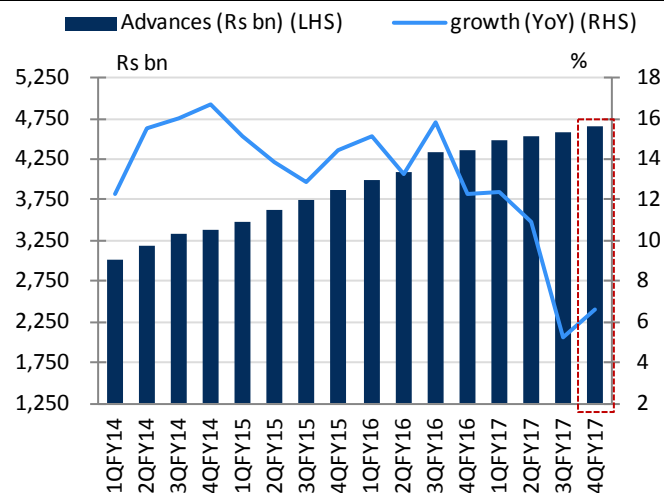
**Domestic loans grew ~14/4%
YoY/QoQ, led by Retail
growth of 18/7% YoY/QoQ to
form ~51.8% of loans
(+290bps QoQ)**

**Corporate loans grew ~6%
YoY to form 27.3%**

**Within Retail loans, PL and CC
segments delivered higher
growth, albeit on a smaller
base**

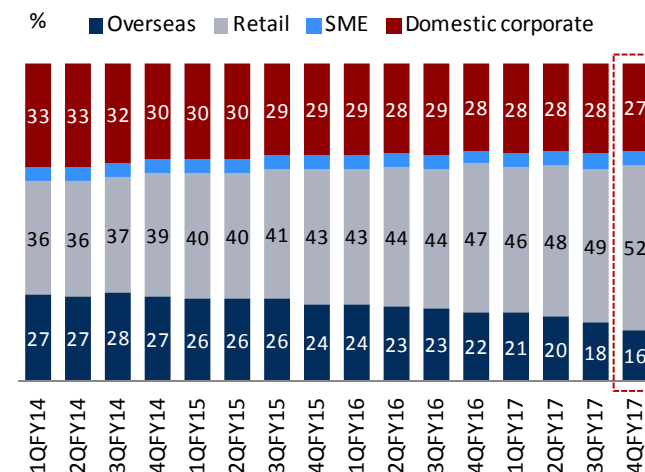
**Within the retail segment,
unsecured loans (CC, PL) stood
at 9% vs. 8.9% QoQ**

Advances Growth Muted At 7% YoY



Source: Company, HDFC sec Inst Research

Advances Mix: Retail Continues To Gain



Source: Company, HDFC sec Inst Research

Retail Loans Break-up: Unsecured Book At 9%

(%)	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Home	54.9	54.8	54.5	53.5	54.1	55.0	55.0	54.2	54.9	55.1	54.9	54.0	54.3	54.3	54.6	53.2
Vehicle	22.7	22.2	21.2	20.9	20.3	19.3	18.7	18.0	17.9	17.9	17.7	17.4	17.4	17.1	17.2	16.9
Other secured	17.9	18.2	19.2	20.1	19.6	19.5	19.6	21.2	20.4	19.9	19.9	21.0	20.3	20.4	19.5	20.9
PL	1.7	2.1	2.5	3.0	3.4	3.7	4.2	4.2	4.4	4.6	4.8	5.0	5.2	5.4	5.7	5.9
CC & Others	2.8	2.7	2.6	2.5	2.6	2.5	2.5	2.4	2.4	2.5	2.7	2.7	2.8	2.8	3.2	3.1

Source: Company, HDFC sec Inst Research

CASA grew ~28/6% YoY/QoQ to form ~50.4% (+450bps YoY) of deposits

Avg. CASA ratio was up 170bps QoQ (after 330bps QoQ in 3Q) at 46.5%

SA grew ~28/4% YoY/QoQ and CA grew ~27/13% YoY/QoQ

NIM was higher QoQ at 3.57% led by a sharp drop in CoF, interest on tax refund of Rs 2bn (vs. Rs 1.4bn QoQ) and interest recovery (12-13bps positive impact)

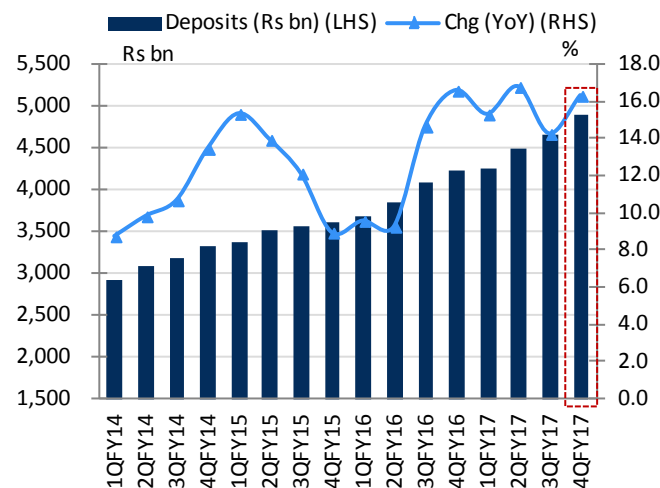
Domestic NIM were at 3.96% (+45bps QoQ), international NIM jumped 18bps QoQ to 1.01%

Overall core fees grew 10%

Growth in retail fees was much better at 17% YoY, led by the cards business and third party distribution income

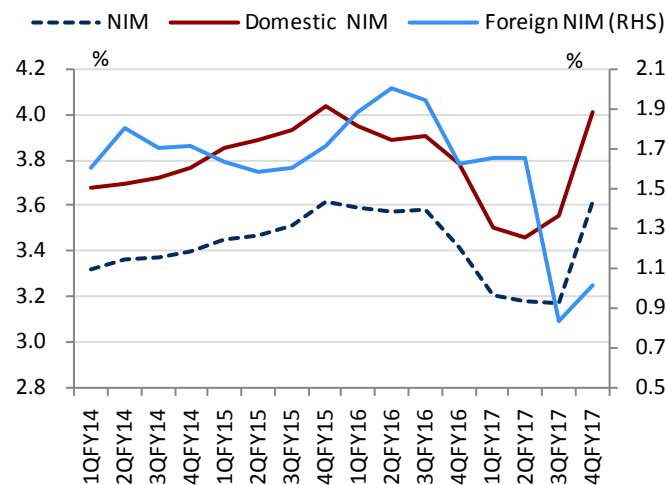
Retail fees form ~70% of total fees

Deposits Grew ~16/5% YoY/QoQ



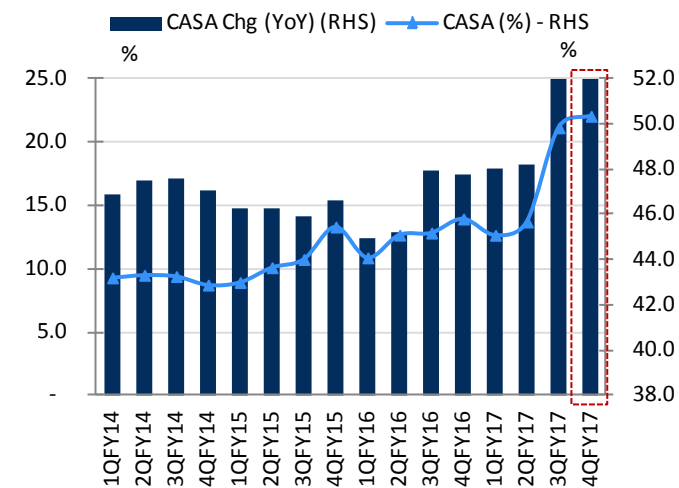
Source: Bank, HDFC sec Inst Research

Overall NIMs Jumped 45Bps QoQ



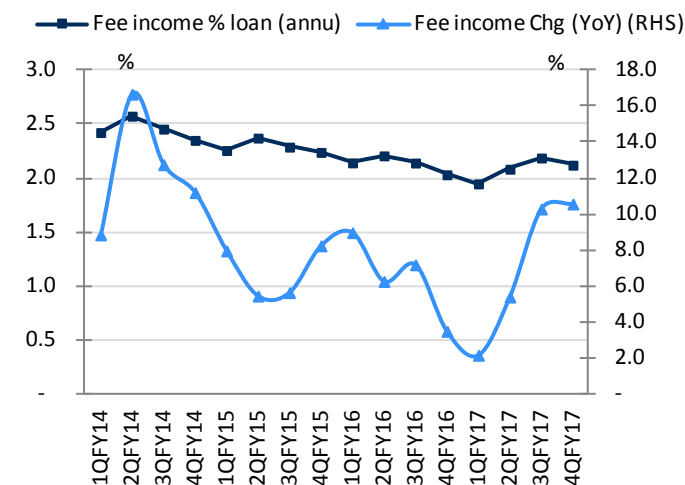
Source: Bank, HDFC sec Inst Research

CASA Ratio Jumped 50bps QoQ



Source: Bank, HDFC sec Inst Research

Fee Growth Led By Retail Fees



Source: Bank, HDFC sec Inst Research

Other income was lower owing to reversals of Rs 2.9bn toward foreign currency translation and NIL dividend income from ICICI Life

Slippages of Rs 113bn include relapse of Rs 18bn and Rs 79.6bn from the watch-list (incl. one large exposure of Rs 53.8bn)

Retail slippages stood at Rs 4.4bn vs. Rs 4.3bn

Watch-list declined ~31% QoQ (51% in FY17) to Rs 190bn (4% of loans)

Restructured book also dipped to Rs 42.7bn (90bps of loans)

O/S SDR - Rs 52.4bn, w/w Rs 42.9bn are part of restructured and watch-list)

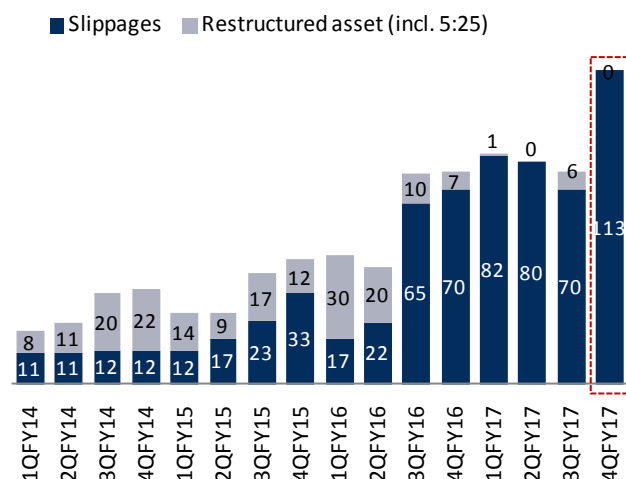
O/S 5:25- Rs 26.75bn, w/w Rs 17.3bn part of watch-list

Retail Fees (+16% YoY) Form ~70% Of Total Fees

Rs bn	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Treasury	4.0	(0.8)	4.5	2.5	3.9	1.4	4.4	7.3	2.1	2.2	14.4	21.9	7.7	64.1	8.9	5.0
Fees	17.9	19.9	20.0	19.7	19.4	21.0	21.1	21.4	21.1	22.4	22.6	22.1	21.6	23.6	25.0	24.5
Others	2.9	2.5	3.6	7.6	5.3	5.0	5.4	6.3	6.7	5.5	5.1	7.1	5.1	3.5	5.5	0.7
Total	24.8	21.7	28.0	29.8	28.5	27.4	30.9	35.0	29.9	30.1	42.1	51.1	34.3	91.2	39.4	30.2
% of Total	39.4	34.9	39.7	40.6	38.8	37.0	39.1	40.8	36.9	36.4	43.6	48.6	39.9	63.5	42.3	33.6

Source: Bank, HDFC sec Inst Research

Gross Stress Additions Remains Elevated



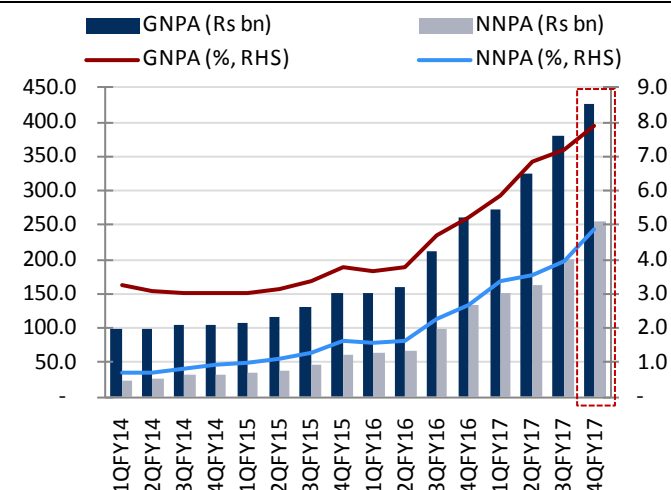
Source : Bank, HDFC sec Inst Research

GNPA Movement

Rs bn	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Opening	96.1	100.1	100.3	104.0	105.1	108.4	115.5	130.8	150.9	151.4	158.6	211.5	262.2	271.9	325.5	380.9
Additions	11.2	11.5	12.3	12.4	12.0	16.7	22.8	32.6	16.7	22.4	65.4	70.0	82.5	80.3	70.4	112.9
Recovery	3.1	3.7	3.6	4.0	3.6	4.4	5.1	6.5	5.4	7.1	5.0	7.8	7.9	8.0	6.3	14.1
W/O	4.0	7.6	5.0	7.2	3.9	5.4	2.4	6.0	10.8	8.1	6.9	1.5	66.2	22.4	8.8	54.1
Closing	100.2	100.3	104.0	105.2	109.5	115.4	130.8	150.9	151.4	158.6	212.1	272.2	270.6	321.8	380.9	425.5
Slippage (% annu.)	1.51	1.48	1.51	1.48	1.39	1.89	2.47	3.42	1.70	2.22	6.20	6.44	7.46	7.11	6.17	9.80

Source: Bank, HDFC sec Inst Research

GNPAs Rise 12% QoQ



Source: Bank, HDFC sec Inst Research

Peer Valuations

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
KMB #	1,680	917	BUY	1,013	136	157	183	41.6	32.1	26.0	5.65	4.77	3.98	13.2	15.0	15.6	1.68	1.86	1.90
ICICIBC #	1,587	273	BUY	345	110	123	146	12.2	11.5	9.3	1.86	1.63	1.28	10.1	10.8	11.5	1.31	1.24	1.28
AXSB	1,200	501	NEU	507	197	217	255	32.6	20.8	12.9	2.54	2.31	1.97	6.8	10.0	14.6	0.65	0.89	1.24
IIB	854	1,436	BUY	1,552	332	382	443	29.9	24.4	20.0	4.33	3.76	3.24	15.3	16.2	17.1	1.80	1.78	1.77
FB	193	112	BUY	116	46	52	58	23.3	18.8	14.8	2.42	2.16	1.93	9.8	11.0	12.7	0.81	0.82	0.88
CUB	99	166	BUY	175	52	61	70	19.7	17.2	14.9	3.16	2.72	2.37	15.4	15.5	15.7	1.49	1.47	1.47
DCBB	60	194	BUY	197	64	78	88	27.7	24.0	18.6	3.04	2.49	2.22	10.8	10.5	10.9	0.93	0.93	0.99
SBIN #	2,246	289	BUY	328	112	129	148	16.6	13.4	10.4	1.91	1.61	1.34	7.4	8.3	9.6	0.43	0.46	0.53
BOB	438	190	BUY	220	89	123	157	22.1	12.2	9.1	2.13	1.54	1.21	5.4	9.1	11.1	0.29	0.51	0.63
Equitas	55	162	BUY	187	61	63	67	28.7	39.8	24.6	2.64	2.56	2.41	10.6	5.9	8.9	2.47	1.34	1.64
Ujjivan	43	360	NEU	390	146	164	189	18.9	19.2	14.5	2.47	2.19	1.91	15.4	12.1	14.0	3.33	2.55	2.61

Source: Company, HDFC sec Inst Research, # Adjusted for embedded value of subs

Income Statement

(Rs bn)	FY15	FY16	FY17P	FY18E	FY19E
Interest Earned	490.9	527.4	541.6	584.3	661.4
Interest Expended	300.5	315.2	324.2	349.1	393.4
Net Interest Income	190.4	212.2	217.4	235.2	268.0
Other Income	121.8	153.2	195.0	154.1	169.9
<i>Fee Income (CEB)</i>	<i>69.8</i>	<i>74.6</i>	<i>74.7</i>	<i>88.6</i>	<i>101.7</i>
<i>Treasury Income</i>	<i>15.5</i>	<i>38.0</i>	<i>85.8</i>	<i>27.5</i>	<i>25.5</i>
Total Income	312.2	365.5	412.4	389.3	437.9
Total Operating Exp	115.0	126.8	147.6	165.7	186.2
<i>Employee Expense</i>	<i>47.5</i>	<i>50.0</i>	<i>57.3</i>	<i>64.5</i>	<i>72.3</i>
PPOP	197.2	238.6	264.9	223.6	251.7
Provisions & Contingencies	39.0	116.7	152.1	104.4	110.1
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>35.3</i>	<i>75.1</i>	<i>146.4</i>	<i>104.4</i>	<i>110.1</i>
PBT	158.2	122.0	112.8	119.2	141.6
Provision For Tax	46.4	24.7	14.8	17.9	24.8
PAT	111.8	97.3	98.0	101.3	116.8

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs bn)	FY15	FY16	FY17P	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	11.6	11.6	11.7	11.7	11.7
Reserves	792.6	885.7	987.8	1,060.3	1,140.4
Shareholders' Funds	804.2	897.3	999.4	1,072.0	1,152.0
<i>Savings</i>	<i>1,148.6</i>	<i>1,342.3</i>	<i>1,718.4</i>	<i>2,062.1</i>	<i>2,412.6</i>
<i>Current</i>	<i>495.2</i>	<i>588.7</i>	<i>749.8</i>	<i>806.1</i>	<i>886.7</i>
<i>Term Deposit</i>	<i>1,971.8</i>	<i>2,283.3</i>	<i>2,432.2</i>	<i>2,675.4</i>	<i>2,996.4</i>
Total Deposits	3,615.6	4,214.3	4,900.4	5,543.5	6,295.7
Borrowings	1,724.2	1,748.1	1,475.6	1,609.8	1,820.0
Other Liabilities	317.2	347.3	342.5	376.6	414.2
Total Liabilities	6,461.3	7,207.0	7,717.9	8,601.9	9,681.9
APPLICATION OF FUNDS					
Cash & Bank Balance	423.0	598.7	757.1	700.9	726.2
Investments	1,581.3	1,604.1	1,615.1	1,855.7	2,050.7
<i>G-Secs</i>	<i>1,056.1</i>	<i>1,106.5</i>	<i>1,151.6</i>	<i>1,385.9</i>	<i>1,573.9</i>
Advances	3,875.2	4,352.6	4,642.3	5,305.4	6,126.3
Fixed Assets	47.3	75.8	78.1	80.0	82.0
Other Assets	534.5	575.7	625.3	659.9	696.6
Total Assets	6,461.3	7,207.0	7,717.9	8,601.9	9,681.9

Source: Bank, HDFC sec Inst Research

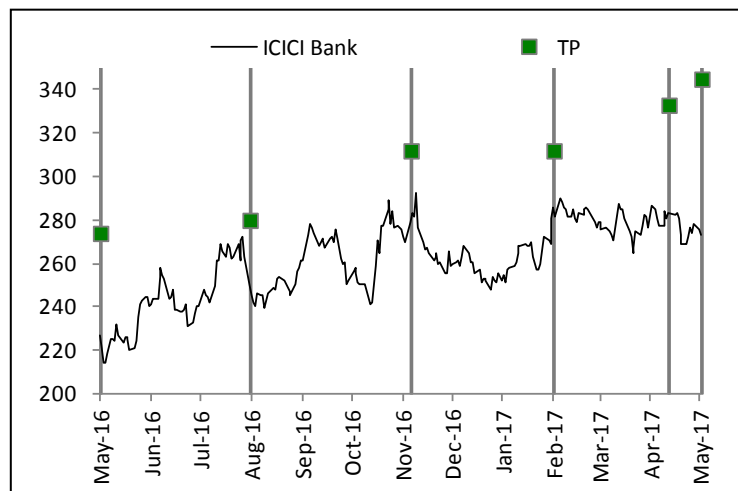
Key Ratios

	FY15	FY16	FY17P	FY18E	FY19E
VALUATION RATIOS					
EPS (Rs)	19.3	16.7	16.8	17.4	20.0
Earnings Growth (%)	13.9	(13.0)	0.8	3.4	15.3
BVPS (Rs)	138.7	154.3	171.6	184.0	197.8
Adj. BVPS (Rs)	108.0	113.0	110.2	122.4	146.2
ROAA (%)	1.80	1.42	1.31	1.24	1.28
ROAE (%)	14.8	11.1	10.1	10.8	11.5
P/E (x)	11.7	13.3	12.2	11.5	9.3
P/ABV (x)	2.08	1.96	1.87	1.63	1.28
P/PPOP (x)	1.6	1.3	1.2	1.4	1.3
Dividend Yield (%)	1.8	1.8	1.6	1.6	2.1
PROFITABILITY					
Yield On Advances (%)	9.8	9.5	8.8	8.6	8.6
Yield On Investment (%)	6.3	6.7	7.1	7.0	6.8
Cost Of Funds (%)	5.9	5.6	5.3	5.2	5.2
Cost Of Deposits (%)	5.9	5.5	5.1	4.9	4.9
Core Spread (%)	3.9	3.9	3.6	3.5	3.5
NIM (%)	3.47	3.56	3.35	3.28	3.27
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.9	1.9	2.0	2.0	2.0
Cost-Income Ratio (Ex. Treasury)	38.7	38.7	45.2	45.8	45.1
BALANCE SHEET STRUCTURE					
Loan Growth (%)	14.4	12.3	6.7	14.3	15.5
Deposit Growth (%)	8.9	16.6	16.3	13.1	13.6
C/D Ratio (%)	107.2	103.3	94.7	95.7	97.3
Equity/Assets (%)	12.4	12.5	12.9	12.5	11.9
Equity/Advances (%)	20.8	20.6	21.5	20.2	18.8
CASA (%)	45.5	45.8	50.4	51.7	52.4
Capital Adequacy Ratio (CAR, %)	17.0	16.6	17.4	16.5	15.5
W/w Tier I CAR (%)	12.8	13.1	14.4	13.8	13.1

	FY15	FY16	FY17P	FY18E	FY19E
ASSET QUALITY					
Gross NPLs (Rs bn)	150.9	267.2	425.5	437.7	396.1
Slippage (%)	2.19%	4.16%	7.46%	4.00%	3.25%
Net NPLs (Rs bn)	62.6	129.6	254.5	260.8	207.0
Gross NPLs (%)	3.78	5.82	9.17	8.25	6.47
Net NPLs (%)	1.61	2.98	5.48	4.92	3.38
Coverage Ratio (%)	58.6	51.5	40.2	40.4	47.7
Provision/Avg. Loans (%)	1.0	1.8	3.3	2.1	1.9
ROAA TREE					
Net Interest Income	3.07%	3.11%	2.91%	2.88%	2.93%
Non-interest Income	1.96%	2.24%	2.61%	1.89%	1.86%
Treasury Income	0.25%	0.56%	1.15%	0.34%	0.28%
Operating Cost	1.85%	1.86%	1.98%	2.03%	2.04%
Provisions	0.63%	1.71%	2.04%	1.28%	1.20%
Provisions For NPAs	0.51%	1.06%	1.72%	1.06%	1.00%
Tax	0.75%	0.36%	0.20%	0.22%	0.27%
ROAA	1.80%	1.42%	1.31%	1.24%	1.28%
Leverage (x)	8.08	8.03	7.87	7.88	8.22
ROAE	14.55%	11.43%	10.33%	9.78%	10.50%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
2-May-16	237	BUY	274
1-Aug-16	263	BUY	280
8-Nov-16	279	BUY	312
2-Feb-17	238	BUY	312
13-Apr-17	281	BUY	333
4-May-17	273	BUY	345

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period

NEUTRAL : Where the stock is expected to deliver (-) 10% to 10% returns over the next 12 month period

SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

We, Darpin Shah, MBA, and Pranav Gupta, ACA authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

Any holding in stock – No

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HDFC Securities Ltd or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HDFC Securities Ltd .

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HDFC Securities Ltd may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HDFC Securities and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HDFC Securities Ltd, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HDFC Securities Ltd and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HDFC Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HDFC Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HDFC Securities or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HDFC Securities nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HDFC Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report. HDFC Securities Ltd. is a SEBI Registered Research Analyst having registration no. INH000002475

HDFC securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board : +91-22-6171 7330 www.hdfcsec.com