

INDUSTRY	BANKS
CMP (as on 27 Oct 2017)	Rs 302
Target Price	Rs 364
Nifty	10,323
Sensex	33,157
KEY STOCK DATA	
Bloomberg	ICICIBC IN
No. of Shares (mn)	6,416
MCap (Rs bn) / (\$ mn)	1,932/29,715
6m avg traded value (Rs mn)	5,378
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 315/223
	3M 6M 12M
Absolute (%)	(2.0) 20.8 16.5
Relative (%)	(4.4) 10.4 (2.3)
SHAREHOLDING PATTERN (%)	
Promoters	-
FIs & Local MFs	42.35
FPIs	45.93
Public & Others	11.72
Source : BSE	

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Retail leads, corporate heals

After quite a few uninspiring quarters, ICICIBC showed evidence of recovery in 2QFY18. Loan growth resumed (+13% QoQ in the domestic book), costs crawled (+3% QoQ) and NIM was stable (3.3%). Slippages, mercifully, were at an 8-qtr low. Management utilised profits from the subsidiary stake sale to beef up coverage (59.3%, +410bps QoQ) and provided for NCLT a/cs two quarters in advance.

While slippages have trended down for the last couple of qtrs, we will closely monitor asset quality divergence, slippage from the watchlist and provision requirements (for the 2nd NCLT list). Meanwhile, increasing granularity in the Retail franchise (assets and liabilities) and steady value accretion in subsidiaries are encouraging.

A probable easing of corporate stress and granular growth augur well for ICICIBC hereon. Maintain BUY with a TP of Rs 364 (1.8x Sept-19 core ABV of Rs 142 + subs-value of Rs 107).

Financial Summary

(Rs bn)	2QFY18	2QFY17	YoY (%)	1QFY18	QoQ (%)	FY17	FY18E	FY19E	FY20E
Net Interest Income	57.09	52.53	8.7%	55.90	2.1%	217.4	231.8	267.4	300.5
PPOP	69.87	106.36	-34.3%	51.83	34.8%	264.9	235.1	245.4	268.2
PAT	20.58	31.02	-33.7%	20.49	0.4%	98.0	97.9	108.3	122.4
EPS (Rs)	3.5	5.3	-33.7%	3.5	0.4%	16.8	15.3	16.9	19.1
Core ROAE (%)						10.0	10.5	10.8	9.5
Core ROAA (%)						1.31	1.20	1.19	1.18
Adj. BVPS (Rs)						111	114	134	151
P/ABV (x)#						2.11	1.96	1.55	1.38
P/E (x)#						13.9	14.5	12.4	10.2

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

Highlights of the quarter

- The stress blowout eased, as GNPA's (Rs 445bn) grew merely 3% QoQ with slippages (3.95% ann.) at an 8-qtr low. Net stressed assets (incl. watchlist) continued to fall and stood at ~9.5% (vs.10.4% QoQ and 12.1% YoY).
- PCR improved ~410bps; the watchlist (as well as restructured book) dipped marginally. However, divergence disclosure and progress on resolutions remain key monitorables. We have factored in slippages and LLP of 3.3% and 2.1% over FY18-20E.
- The pull back in growth (after stagnation for a few qtrs) was heartening, driven by Retail (+19%, 54% of loans). Despite the challenging environment, even corp growth revived (+6% QoQ).
- Risk aversion is visible (and welcome). Some 90% of corporate loans in H1FY18 were to A- or higher rated cos. We factor loan CAGR of 15% over FY18-20E.
- Near-term outlook:** The uptick in growth and declining stress levels are expected to drive outperformance for the stock. We are constructive.

Watch-list Exposure

Rs bn	2QFY18	QoQ Chg (%)
Power	68.4	(3.4)
Iron/Steel	40.1	0.5
Mining	57.5	2.9
Others	4.1	NA
Promoter entity	25.8	(22.6)
Total watch-list	195.9	(3.8)

Movement in watch-list

Rs bn	4QFY17	1QFY18	2QFY18
Opening	275.4	190.4	203.6
Reduction	5.9	2.6	9.6
Slippage	79.8	3.6	4.5
Closing	190.4	203.6	195.9

- **Net stressed assets on a decline:** Slippages declined QoQ to Rs 46.7bn (3.95% ann.), even after recognising a PSU-backed power co to the tune of Rs 8.8bn. However, over the last couple of qtrs, the non watchlist slippages have been higher, in the range of ~Rs 44-46bn vs. 33bn in 4Q (led by an oil & gas exposure). **Slippages from the watchlist form merely 5-7% of the total slippages and remain key monitorables.** Overall slippages include relapse of Rs 3.7bn and retail slippage of Rs 6.6bn.
- Within the 2nd NCLT list, ICICIBC has exposure of Rs 119bn (incl. non-funded exposure of Rs 13.8bn) in 18 a/cs (w/w ~99% are already classified as NPAs) and the bank carries provisions of Rs 33bn (31.5%) on these exposures. **We have increased our LLP assumptions to factor provisions for 2nd list of NCLT exposures and ageing of NPAs.**
- With a 14% QoQ (~52% FYTD) drop in the restructured book and a marginal drop in the watchlist to Rs 196bn (4.1%), the net stressed book dipped QoQ at Rs 457bn (9.5% vs.10.4% QoQ). **We have factored in slippages at an avg. of 3.32% over FY18-20E.**
- **Liability franchise healthy:** Led by a robust SA growth of 21/5% YoY/QoQ, the CASA ratio improved ~380bps YoY (+50bps QoQ) to 49.5%. On an avg. daily basis, CASA ratio improved 370bps YoY (down 20bps QoQ) to 45.2%.
- **Stable NIM, a positive surprise:** Despite a rise in the MCLR-linked book (62% vs 56% QoQ) and elevated slippages (albeit lower QoQ), NIM at 3.27% (stable QoQ) were a positive surprise. NIMs were cushioned with a drop in SA rate, interest on tax refund (Rs 780mn) and accruals on NPA a/cs. **With an expected drop in MCLR rates, the rising proportion of MLCR-linked loans and relatively elevated slippages will keep yields under pressure. However, an increased share of domestic loans and superior CASA provide a cushion to margins. We estimate NIMs at 3.3% in FY18-FY20E.**
- **Uptick in growth:** While overall loans grew only ~6% YoY (+4% QoQ), domestic loans grew ~13% YoY (85% of loans). The uptick in domestic loans was led by 19/5% YoY/QoQ rise in Retail loans and higher growth (6% QoQ) in the Corp book. The overseas book (Rs 719bn, ~15% of loans) was flat QoQ.
- Within Retail loans, the 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 in a loan CAGR of 15% over FY18-20E led by Retail, and a pick-up in Corp loans, even as overseas loans continue to moderate.**
- **Other highlights:** ICICIBC has made an additional provisions of Rs 2.1bn towards perceived riskier sectors. Further, the bank has made provisions of Rs 6.5bn (total Rs 35bn) for the 2 NCLT exposures in the 1st list.

SOTP

	Rs bn	Per Share	Rationale
ICICI Bank	1,497	257	1.9x Sept-19E ABV of Rs 140
ICICI Life Insurance	407	70	3.5x Sept-19E EV of Rs 212bn
ICICI General Insurance	145	25	4.0x Sept-19E Adj. NW of Rs 65bn
ICICI AMC	29	5	5% of FY19E AUM
ICICI UK	36	6	1x FY19E BV
ICICI Canada	44	8	1x FY19E BV
ICICI Housing Finance	40	7	2.0x FY19E ABV
ICICI Sec	44	8	10x FY19E PAT
Others	29	5	I Ventures and others
Total Value Of Subsidiaries	776	133	
Less: 20% Holdco Discount	155	27	
Net Value Of Subsidiaries	621	107	
Total Value	2,118	364	
Current Value	1,761	302	
Upside (%)	20.3	20.3	

Source: HDFC sec Inst Research;

Five Quarters At A Glance

Rs bn	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	YoY Growth	QoQ Growth
Net Interest Income	52.5	53.6	59.6	55.9	57.1	8.7%	2.1%
Non-interest Income	91.2	39.4	30.2	33.9	51.9	-43.1%	53.1%
Treasury Income	64.1	8.9	5.0	8.6	21.9	-65.8%	155.6%
Operating Income	143.7	93.0	89.8	89.8	109.0	-24.2%	21.4%
Operating Expenses	37.4	37.8	38.7	37.9	39.1	4.6%	3.0%
Pre Provision Profits (PPoP)	106.4	55.2	51.1	51.8	69.9	-34.3%	34.8%
Provisions And Contingencies	70.8	27.1	29.0	26.1	45.0	-36.4%	72.6%
PBT	35.5	28.1	22.1	25.7	24.8	-30.1%	-3.5%
Provision For Tax	4.5	3.7	1.9	5.3	4.3	-5.7%	-19.1%
PAT	31.0	24.4	20.2	20.5	20.6	-33.7%	0.4%

Led by 4% QoQ loan growth and stable NIMs at 3.27%

Incl. stake sale in ICICI Lombard to the tune of ~Rs 20.1bn; fees grew ~8% QoQ

Incl. additional general provisions of ~Rs 2.1bn towards stressed sectors, Rs 6.5bn towards 12 NCLT exposures

Balance Sheet items/ratios

Deposits	4,491	4,653	4,900	4,863	4,986	11.0%	2.5%
CASA Deposits	2,052	2,320	2,468	2,380	2,469	20.3%	3.7%
Advances	4,543	4,575	4,642	4,641	4,828	6.3%	4.0%
CD Ratio (%)	101.2	98.3	94.7	95.4	96.8	-434 bps	138 bps
CAR (%)	16.7	16.7	17.4	17.7	17.9	122 bps	20 bps
Tier I (%)	13.3	13.3	14.4	14.6	14.9	159 bps	26 bps

SA growth resumed (22/3% YoY/QoQ) after a dip in 1Q while CA grew 17/1% YoY/QoQ

Growth was driven by the retail segment (+19%) as total domestic loans grew by ~13%.

Profitability

Yield On Advances (%)	8.82	8.76	8.89	8.69	8.67	-15 bps	-2 bps
Cost Of Funds (%)	5.63	5.39	5.15	5.16	5.04	-59 bps	-12 bps
NIM (%)	3.13	3.12	3.57	3.27	3.27	14 bps	0 bps
Cost-Income Ratio (%)	26.0	40.6	43.1	42.3	35.9	988 bps	-639 bps
Tax Rate (%)	12.7	13.1	8.5	20.4	17.1	443 bps	-329 bps

Despite a drop in yields, NIMs were stable QoQ owing to a simultaneous drop in CoF. NIMs were also boosted by collection of accrued interest and interest on tax refund

Asset quality

Gross NPA (Rs bn)	325.5	380.9	425.5	431.5	444.9	-36.7%	3.1%
Net NPA (Rs bn)	162.1	201.5	254.5	253.1	241.3	48.8%	-4.6%
Gross NPAs (%)	6.82	7.20	7.89	7.99	7.87	105 bps	-12 bps
Net NPAs (%)	3.57	3.96	4.89	4.86	4.43	86 bps	-43 bps
Delinquency ratio (%)	7.11	6.17	9.80	4.29	3.95	-316 bps	-34 bps
Coverage Ratio (%)	50.2	47.1	40.2	41.3	45.8	-442 bps	441 bps
Restructuring O/s (%)	1.39	1.40	0.92	0.51	0.42	-97 bps	-9 bps

Total exposure to the 2nd NCLT list stood at ~Rs 104.75bn (excl non fund based exposure of ~Rs 13.84bn). The bank has already classified 98.6% as NPA as 2QFY18 and has ~31.5% coverage on these a/cs

Change In Estimates

(Rs bn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	241	232	-3.8%	278	267	-3.7%
PPOP	223	235	5.5%	254	245	-3.4%
PAT	98	98	0.4%	119	108	-9.0%
Adj. BVPS (Rs)	111.2	113.6	2.1%	132.2	134.4	1.7%

We have increased our LLP assumptions to factor provisions for 2nd list of NCLT exposures and ageing of NPAs

Source: HDFC sec Inst Research

Overseas book continued to de-grow (down 21% YoY). Its share dipped ~520bps YoY to ~14.9%

Domestic loans grew ~13/5% YoY/QoQ, led by Retail growth of 19/5% YoY/QoQ which form ~53.6% of loans

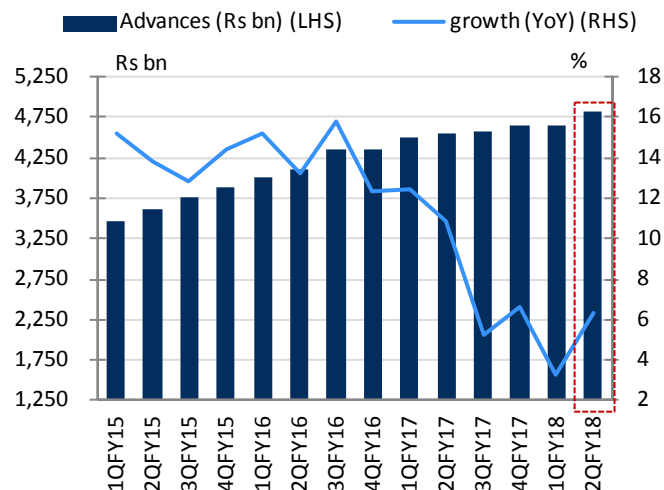
The mgt expects to grow the Retail book by 18-20% in FY18

Within Retail, unsecured products delivered higher growth, albeit on a smaller base

The share of Retail loans will continue to increase hereon

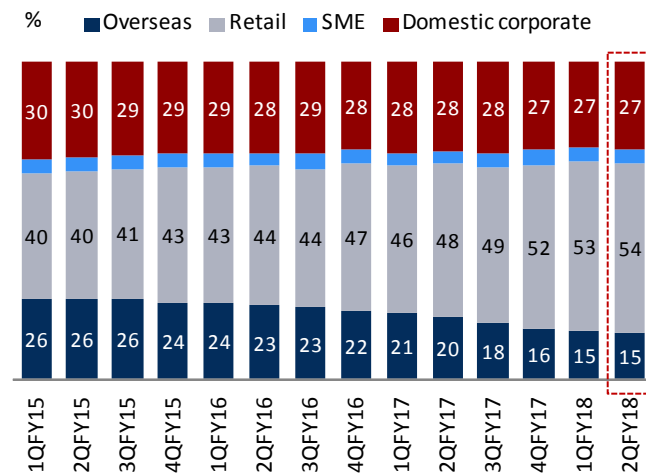
The Corp book grew ~6/4% QoQ/YoY, and ~90% of advances in H1FY18 were to companies rated A- and above

Advances Grew By ~6/4%YoY/QoQ



Source: Company, HDFC sec Inst Research

Advances Mix: Retail Continues To Gain



Source: Company, HDFC sec Inst Research

Retail Loans Break-up: Robust Growth In The Unsecured Book

(%)	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
Home	54.1	55.0	55.0	54.2	54.9	55.1	54.9	54.0	54.3	54.3	54.6	53.2	53.6	53.5
Vehicle	20.3	19.3	18.7	18.0	17.9	17.9	17.7	17.4	17.4	17.1	17.2	16.9	16.7	16.5
Other secured	19.6	19.5	19.6	21.2	20.4	19.9	19.9	21.0	20.3	20.4	19.5	20.9	20.3	20.3
PL	3.4	3.7	4.2	4.2	4.4	4.6	4.8	5.0	5.2	5.4	5.7	5.9	6.1	6.4
CC & Others	2.6	2.5	2.5	2.4	2.4	2.5	2.7	2.7	2.8	2.8	3.2	3.1	3.3	3.2

Source: Company, HDFC sec Inst Research

After a dip in 1Q, CASA deposits grew ~20/4% YoY/QoQ to form ~49.5% of total deposits

On an avg basis, CASA dipped for a second qtr (down 20bps) to 45.2%

SA grew ~22/5% YoY/QoQ while CA grew ~17% YoY (flat sequentially)

NIMs were stable sequentially, and were cushioned by interest recoveries on NPA a/cs

The mgt has guided for NIM of ~3% for H2FY18

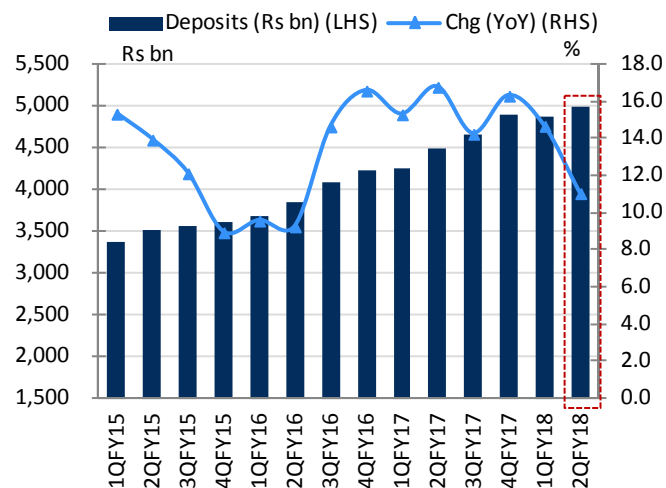
Domestic NIM was at 3.27%, while international NIM jumped 22bps QoQ to 95bps

MCLR-linked domestic floating book stood at ~62%

Overall core fees grew 9/8% YoY/QoQ driven by 3rd party distribution and credit card fees

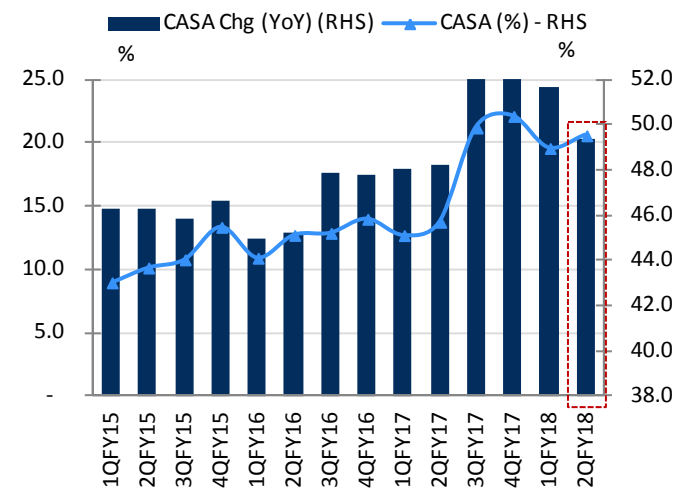
Retail fees grew ~13% YoY to form 70% of total fees

Deposits Grew ~11/3% YoY/QoQ



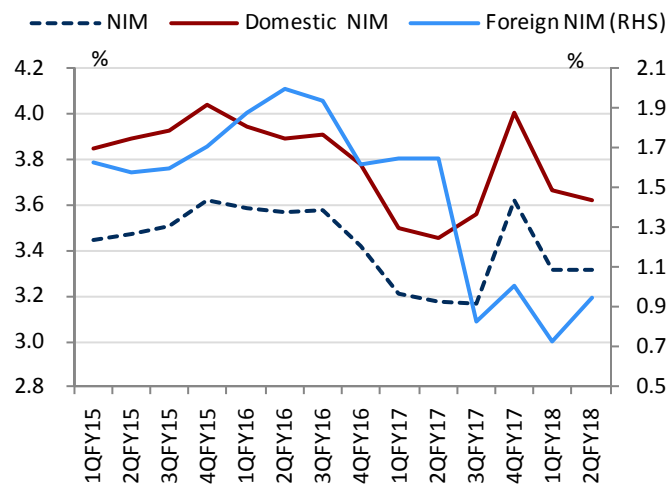
Source: Bank, HDFC sec Inst Research

CASA Ratio Rose 55bps Sequentially



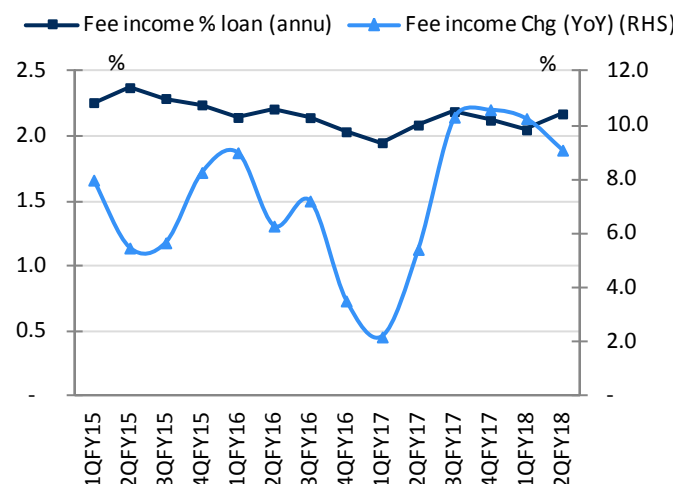
Source: Bank, HDFC sec Inst Research

Overall NIM Stable; International NIMs Jump



Source: Bank, HDFC sec Inst Research

Fee Growth Led By Retail Fees



Source: Bank, HDFC sec Inst Research

Other income was up ~53% sequentially, driven by higher treasury gains (sale of stale in ICICI Lombard for ~Rs 20.1bn) and ~Rs 2.3bn dividend from ICICI Life

Slippages of ~Rs 46.74bn include relapse of Rs 3.72bn, loans amounting to Rs 8.79bn to a PSU power company, Rs 2.6bn from the watchlist

Major proportion of slippages were from below investment grade corporates

Retail slippages moderated to ~Rs 6.6bn vs. Rs 8.8bn QoQ

Provision coverage against the 12 IBC accounts was ~56.5% at the end of 2Q

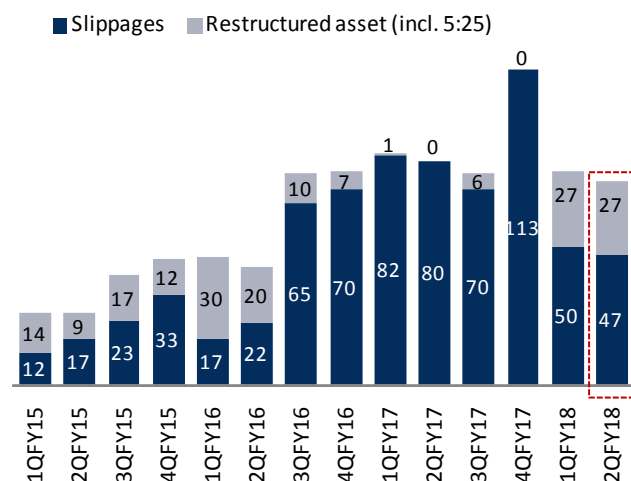
The bank has an exposure of ~Rs 104.76bn (plus ~Rs 13.84bn non fund-based) to the 2nd NCLT list on which it holds provisions of 31.5%

Treasury Gains Jump Owing To Stake Sale

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3QFY 17	4QFY 17	1QFY 18	2Q FY18
Treasury	3.9	1.4	4.4	7.3	2.1	2.2	14.4	21.9	7.7	64.1	8.9	5.0	8.6	21.9
Fees	19.4	21.0	21.1	21.4	21.1	22.4	22.6	22.1	21.6	23.6	25.0	24.5	23.8	25.7
Others	5.3	5.0	5.4	6.3	6.7	5.5	5.1	7.1	5.1	3.5	5.5	0.7	1.5	4.2
Total	28.5	27.4	30.9	35.0	29.9	30.1	42.1	51.1	34.3	91.2	39.4	30.2	33.9	51.9
% of Total	38.8	37.0	39.1	40.8	36.9	36.4	43.6	48.6	39.9	63.5	42.3	33.6	37.7	47.6

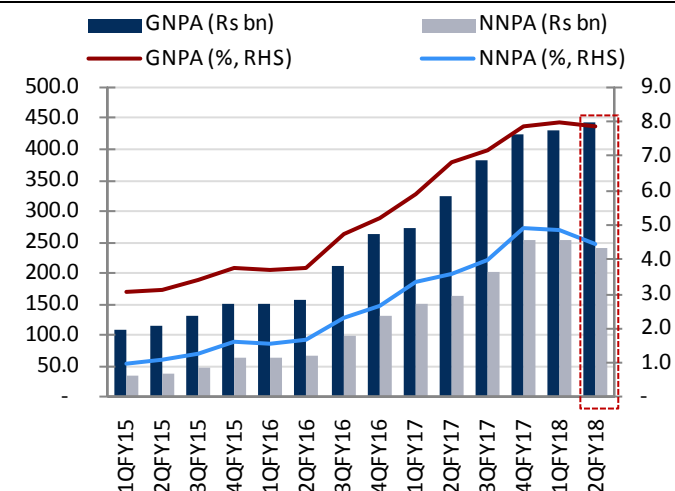
Source: Bank, HDFC sec Inst Research

Slippages Continue To Moderate



Source : Bank, HDFC sec Inst Research

GNPA And NNPA Dip Sequentially



Source: Bank, HDFC sec Inst Research

Asset Quality Movement

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
Opening	105.1	108.4	115.5	130.8	150.9	151.4	158.6	211.5	262.2	271.9	325.5	380.9	425.5	431.5
Additions	12.0	16.7	22.8	32.6	16.7	22.4	65.4	70.0	82.5	80.3	70.4	112.9	49.8	46.7
Recovery / Upgrade	3.6	4.4	5.1	6.5	5.4	7.1	5.0	7.8	7.9	8.0	6.3	14.1	27.8	10.3
W/O	3.9	5.4	2.4	6.0	10.8	8.1	6.9	1.5	66.2	22.4	8.8	54.1	16.1	23.0
Closing	109.5	115.4	130.8	150.9	151.4	158.6	212.1	272.2	270.6	321.8	380.9	425.5	431.5	444.9

Peer Valuations

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
KMB #	1,958	1,029	BUY	1,178	181	205	235	37.4	31.0	24.5	4.77	4.11	3.49	13.9	13.3	14.5	1.89	1.89	1.94
ICICIBC #	1,932	302	BUY	364	114	134	151	14.5	12.4	10.2	1.96	1.55	1.38	10.5	10.8	9.5	1.20	1.19	1.18
AXSB	1,167	487	NEU	504	199	234	271	31.3	16.1	11.6	2.45	2.09	1.80	6.5	11.7	14.5	0.58	0.99	1.16
IIB	969	1,629	BUY	1,809	382	444	521	27.5	22.4	18.0	4.27	3.67	3.13	16.2	17.3	18.5	1.79	1.80	1.81
FB	233	120	BUY	137	59	65	72	22.1	17.2	13.9	2.05	1.86	1.67	9.9	10.5	11.9	0.84	0.91	0.97
CUB	105	159	BUY	196	56	66	77	17.8	15.4	13.1	2.83	2.42	2.07	15.3	15.3	15.5	1.56	1.56	1.53
DCBB	55	177	BUY	214	78	88	99	20.8	16.5	13.6	2.26	2.02	1.80	10.9	11.1	12.2	0.97	1.02	1.02
SBIN #	2,681	311	BUY	357	117	157	181	16.2	11.7	8.7	1.87	1.39	1.20	5.8	7.0	8.8	0.37	0.44	0.53
BOB	402	174	BUY	206	102	144	172	21.2	13.8	10.3	1.72	1.21	1.02	5.1	7.4	9.2	0.27	0.39	0.47
AUSFB	168	590	NEU	530	75	87	102	60.7	46.6	34.3	7.90	6.79	5.78	13.0	14.9	17.5	1.62	1.57	1.71
Equitas	49	144	NEU	160	64	67	73	89.2	36.2	20.7	2.21	2.05	1.98	2.4	5.7	9.3	0.54	1.11	1.49
Ujjivan	39	323	BUY	378	147	164	187	196.9	18.7	13.8	2.20	1.97	1.72	1.1	11.1	13.3	0.22	1.95	2.13

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

Income Statement

(Rs bn)	FY16	FY17	FY18E	FY19E	FY20E
Interest Earned	527.4	541.6	581.0	655.6	742.9
Interest Expended	315.2	324.2	349.2	388.2	442.4
Net Interest Income	212.2	217.4	231.8	267.4	300.5
Other Income	153.2	195.0	166.1	159.3	168.2
<i>Fee Income (CEB)</i>	74.6	80.3	86.5	97.0	109.4
<i>Treasury Income</i>	38.0	86.2	47.6	25.5	17.5
Total Income	365.5	412.4	397.9	426.7	468.7
Total Operating Exp	126.8	147.6	162.7	181.3	200.4
<i>Employee Expense</i>	50.0	57.3	63.9	70.7	79.9
PPOP	238.6	264.9	235.1	245.4	268.2
Provisions & Contingencies	116.7	152.1	120.0	114.1	105.1
<i>Prov. For NPAs (Incl. Std Prov.)</i>	75.1	150.3	120.0	114.1	105.1
PBT	122.0	112.8	115.2	131.3	163.2
Provision For Tax	24.7	14.8	17.3	23.0	40.8
PAT	97.3	98.0	97.9	108.3	122.4

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs bn)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	11.6	11.7	12.8	12.8	12.8
Reserves	885.7	987.8	1,054.1	1,121.9	1,202.1
Shareholders' Funds	897.3	999.4	1,066.9	1,134.8	1,214.9
<i>Savings</i>	1,342.3	1,718.4	2,062.1	2,412.6	2,846.9
<i>Current</i>	588.7	749.8	806.1	886.7	1,019.7
<i>Term Deposit</i>	2,283.3	2,432.2	2,675.4	2,996.4	3,565.8
Total Deposits	4,214.3	4,900.4	5,543.5	6,295.7	7,432.3
Borrowings	1,748.1	1,475.6	1,608.6	1,818.2	2,056.1
Other Liabilities	347.3	342.5	376.6	414.2	455.5
Total Liabilities	7,207.0	7,717.9	8,595.6	9,662.9	11,158.9
APPLICATION OF FUNDS					
Cash & Bank Balance	598.7	757.1	824.6	963.7	1,216.6
Investments	1,604.1	1,615.1	1,883.5	2,080.0	2,373.4
<i>G-Secs</i>	1,106.5	1,125.1	1,385.9	1,573.9	1,858.1
Advances	4,352.6	4,642.3	5,147.9	5,841.6	6,751.0
Fixed Assets	75.8	78.1	80.0	82.0	84.1
Other Assets	575.7	625.3	659.5	695.7	733.9
Total Assets	7,207.0	7,717.9	8,595.6	9,662.9	11,158.9

Source: Bank, HDFC sec Inst Research

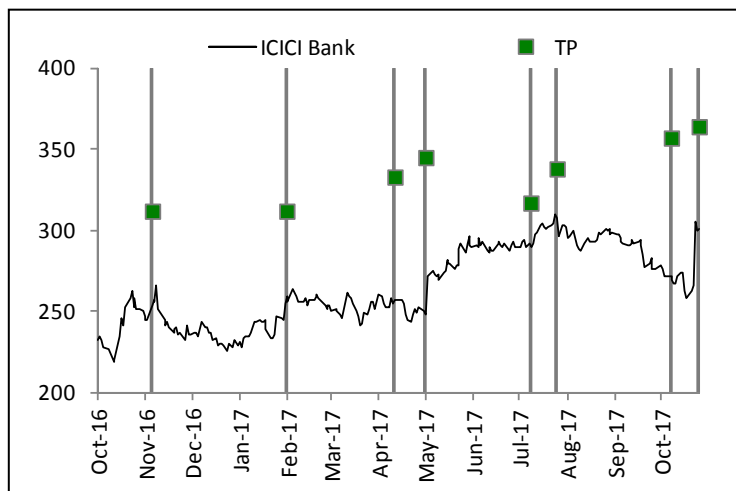
Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
VALUATION RATIOS					
EPS (Rs)	16.7	16.8	15.3	16.9	19.1
Earnings Growth (%)	(13.0)	0.8	(0.1)	10.6	13.0
BVPS (Rs)	154.3	171.6	166.5	177.1	189.6
Adj. BVPS (Rs)	113.0	110.6	113.6	134.4	151.1
ROAA (%)	1.42	1.31	1.20	1.19	1.18
ROAE (%)	11.1	10.0	10.5	10.8	9.5
P/E (x)	14.9	13.9	14.5	12.4	10.2
P/ABV (x)	2.20	2.11	1.96	1.55	1.38
P/PPOP (x)	1.5	1.3	1.6	1.6	1.4
Dividend Yield (%)	1.7	1.5	1.5	1.9	2.0
PROFITABILITY					
Yield On Advances (%)	9.47	8.81	8.66	8.75	8.71
Yield On Investment (%)	6.67	7.07	7.00	6.95	6.90
Cost Of Funds (%)	5.58	5.26	5.16	5.09	5.03
Cost Of Deposits (%)	5.50	5.02	4.80	4.77	4.71
Core Spread (%)	3.89	3.55	3.50	3.67	3.69
NIM (%)	3.56	3.35	3.26	3.33	3.28
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.9	2.0	2.0	2.0	1.9
Cost-Income Ratio (Ex. Treasury)	38.7	45.2	46.5	45.2	44.4
BALANCE SHEET STRUCTURE					
Loan Growth (%)	12.3	6.7	10.9	13.5	15.6
Deposit Growth (%)	16.6	16.3	13.1	13.6	18.1
C/D Ratio (%)	103.3	94.7	92.9	92.8	90.8
Equity/Assets (%)	12.5	12.9	12.4	11.7	10.9
Equity/Advances (%)	20.6	21.5	20.7	19.4	18.0
CASA (%)	45.8	50.4	51.7	52.4	52.0
Capital Adequacy Ratio (CAR, %)	16.6	17.4	16.5	15.3	14.1
W/w Tier I CAR (%)	13.1	14.4	13.8	13.0	12.1

	FY16	FY17	FY18E	FY19E	FY20E
ASSET QUALITY					
Gross NPLs (Rs bn)	262.2	421.6	448.3	402.8	377.6
Net NPLs (Rs bn)	129.6	252.2	241.1	180.3	158.2
Gross NPLs (%)	5.82	9.08	8.71	6.90	5.59
Net NPLs (%)	2.98	5.43	4.68	3.09	2.34
Slippages (%)	4.06	7.46	4.00	3.25	2.70
Coverage Ratio (%)	50.6	40.2	46.2	55.3	58.1
Provision/Avg. Loans (%)	1.8	3.3	2.5	2.1	1.7
ROAA TREE					
Net Interest Income	3.11%	2.91%	2.84%	2.93%	2.89%
Non-interest Income	2.24%	2.61%	2.04%	1.74%	1.62%
<i>Treasury Income</i>	<i>0.56%</i>	<i>1.16%</i>	<i>0.58%</i>	<i>0.28%</i>	<i>0.17%</i>
Operating Cost	1.86%	1.98%	2.00%	1.99%	1.93%
Provisions	1.71%	2.04%	1.47%	1.25%	1.01%
<i>Provisions For NPAs</i>	<i>1.06%</i>	<i>1.97%</i>	<i>1.44%</i>	<i>1.21%</i>	<i>0.97%</i>
Tax	0.36%	0.20%	0.21%	0.25%	0.39%
ROAA	1.42%	1.31%	1.20%	1.19%	1.18%
Leverage (x)	8.03	7.87	7.89	8.29	8.86
ROAE	11.43%	10.33%	9.48%	9.84%	10.42%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
8-Nov-16	279	BUY	312
2-Feb-17	238	BUY	312
13-Apr-17	281	BUY	333
4-May-17	273	BUY	345
10-Jul-17	290	BUY	317
28-Jul-17	309	BUY	338
9-Oct-17	272	BUY	357
28-Oct-17	302	BUY	364

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:

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