

INDUSTRY	BANKS
CMP (as on 27 Jul 2018)	Rs 293
Target Price	Rs 359
Nifty	11,278
Sensex	37,337
KEY STOCK DATA	
Bloomberg	ICICIBC IN
No. of Shares (mn)	6,432
MCap (Rs bn) / (\$ mn)	1,886/27,442
6m avg traded value (Rs mn)	6,285
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 366/255
	3M 6M 12M
Absolute (%)	1.8 (18.7) (4.6)
Relative (%)	(4.9) (22.3) (19.9)
SHAREHOLDING PATTERN (%)	
Promoters	-
FIs & Local MFs	42.23
FPIs	46.87
Public & Others	20.90
Source : BSE	

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Few hits more misses

After the rough FY18 ride, 1QFY19 saw ICICIBC reporting its first ever net loss (~Rs 2.3bn). The earnings miss was largely owing to elevated provisions (~Rs 59.7bn, 2.3x YoY) even as the stake sale in ICICI Pru (~Rs 11.1bn) provided some respite. The one-off interest income (on a steel a/c recovery) cushioned the NIM dip (3.19%, down 5bps). Retail loans pushed growth up to ~11% as the corporate slack (down ~1% sequentially) continued.

Despite accelerated recognition (and provisioning) over the last 2 years (industry NPAs rose from 4.7% to 18.2% over FY15-17 which has further in FY18), the large pool of loans (~9%) rated BB and below is worrisome. This compels us to raise our slippage assumptions to ~3.9% annu (vs. ~3.8% earlier). Despite building in relatively lower recoveries and cutting earnings by ~31/5% for FY19/20E, ICICIBC can yield RoAA of 1.11% in FY20E. This, and inexpensive valuations, drive our positive view. Further dilution in subs and robust recoveries could push earnings upwards. Maintain BUY with a TP of Rs 359 (1.7x Mar-20 core ABV of Rs 150 and subs value of Rs 114).

Financial Summary

(Rs bn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Interest Income	61,019	55,898	9.2%	60,217	1.3%	217.4	230.3	258.4	291.9
PPOP	58,084	51,833	12.1%	75,140	-22.7%	264.9	247.4	247.2	271.5
PAT	(1,196)	20,490	-105.8%	10,200	-111.7%	98.0	67.1	65.5	115.7
EPS (Rs)	(1.0)	3.5	-129.4%	1.6	-165.3%	16.8	10.4	10.2	18.0
Core ROAE (%)						10.0	7.3	6.7	9.5
Core ROAA (%)						1.31	0.81	0.70	1.11
Adj. BVPS (Rs)						111	105	123	143
P/ABV (x)#						1.90	1.94	1.55	1.22
P/E (x)#						12.5	19.5	18.7	9.7

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

Highlights of the quarter

- Post accelerated recognition through FY18, asset quality woes eased for ICICIBC. With considerably lower slippages of ~Rs 40.4bn (3.14% annu vs. 12.37% QoQ), GNPA's dipped ~1% sequentially to ~Rs 534 bn (8.81%, down 3bps QoQ). The watch list dipped ~7% sequentially to ~Rs 44bn (0.9% of loans). While ICICIBC has proactively recognized stress, the large residual pool of BB (and lower) assets (~9% of loans) is worrisome. Hence, we have increased slippage assumptions to ~3.9% over FY18-20E
- Despite lower stress accretion, provisions remained elevated at ~Rs 59.7bn (2.3x YoY) as aging provisions on stressed assets kicked in. Additionally, ICICIBC refrained from using the RBI dispensation of spreading MTM provisions over subsequent quarters and recognized ~Rs 2.2bn in 1Q entirely. The mgt believes provisioning will remain high through FY19 as PCR will be beefed up further (currently at 66.1%) Hence we have factored in higher LLPs of 290bps over FY18-20E.
- Near term outlook:** The stock will remain under pressure as leadership overhang continues

Watch-list Exposure

Rs bn	1QFY19	QoQ Chg (%)
Power	12.5	3.6
Iron/Steel	26.8	(11.7)
Mining	4.3	(3.6)
Others	0.5	4.7
Promoter entity	-	-
Total watch-list	44.0	(6.9)

Movement in watch-list

Rs bn	3QFY18	4QFY18	1QFY19
Opening	195.9	190.6	47.4
Reduction	4.9	8.3	(0.0)
Slippage	0.1	0.1	0.2
Upgrade	6.8	122.5	5.5
Closing	190.8	47.4	44.0

Rating profile of loans

	FY17	FY18	1QFY19
AA- and above	37%	42%	43%
A+,A,A-	19%	20%	20%
A- and above	56%	62%	63%
BBB+,BBB, BBB-	28%	28%	28%
BB and below	15%	9%	8%
Unrated	1%	1%	1%
Total (Rs bn)	4,353	4,642	5,163

- ICICIBC has an aggregate exposure of ~Rs 133.5bn to both the NCLT lists. The bank made an additional provision (above the RBI requirements) of ~Rs 7.1bn. Consequently, the PCR on these exposures stood at ~69%. In the previous quarter, the bank had also classified 3 accounts in the gems & jewellery sector as fraud and made a provision of ~Rs 2.9bn on the same. An additional provision of ~Rs 2.5bn was made during 1Q.

- Slippages for the quarter include retail slippages of ~Rs 11.2bn. This was largely driven by stress in the agri portfolio which saw slippages of ~Rs 3.4bn. ICICIBC also saw some pain in the builder book and remains cautious in this segment

- NIMs looked optically stable at 3.19% (down merely 5bps sequentially) with domestic NIMs of 3.54%. However, NIMs were aided by ~10bps as a large recovery in a steel account flowed through this quarter. International NIMs continued to dwindle at merely 30bps. The mgt believe pressure on NIMs is set to continue as CoF rises and pressure on pricing continues. However, any one-off chunky recoveries could spring a positive surprise. We have factored in NIMs of ~3.2% over FY18-20E.

- **Growth uptick sustained:** While the overall loans grew only ~11/1% YoY/QoQ, domestic loans grew ~15% YoY (87.5% of loans vs. 84.6% YoY). The uptick in domestic loans was led by rapid growth in retail

loans (~20/3% YoY/QoQ) and a ~17% YoY jump (albeit down ~6% sequentially) in SME loans. Corporate growth remained tepid as domestic corporate advances dipped ~1% sequentially. Overseas loans continued to decline and stood at ~12.5% of total advances (vs. ~15.4% YoY and 12.6% QoQ).

- Within retail, it was encouraging to see the higher yielding business grow at a faster pace. Personal loans and credit cards grew ~48% YoY and ~28% YoY respectively. Consequently, the share of home loans dipped to ~52% (vs. 53.6% YoY). The mgt has guided that retail growth will continue to outpace overall loan growth given better asset quality performance and better yields.

- We have factored in loan CAGR of 14% over FY18-20E, led by retail and a pick-up in corp loans, even as overseas loans continue to moderate.

- Overall deposits grew ~13% YoY, albeit down ~3% sequentially. Growth was largely driven by robust CASA growth of ~16% YoY. SA deposits grew ~17% YoY while CA deposits grew ~13% YoY. With a sequential dip across the board, the CASA ratio dipped 116bps to ~50.5%. However, on an avg. daily basis, the CASA ratio improved 50bps QoQ to 46.1%.

- The management aims to maintain CASA above 45% on a daily average basis and total retail deposits over 70%.

SOTP

	Rs bn	Per Share	Rationale
ICICI Bank	1,574	245	1.7x Mar-20E ABV of Rs 144
ICICI Life Insurance	367	57	(FY20E EV+ 26x FY20E VNB)
ICICI General Insurance	204	32	30x FY20E PAT
ICICI AMC	98	15	5% of FY20E AUM
ICICI UK	37	6	1x FY20E BV
ICICI Canada	45	7	1x FY20E BV
ICICI Housing Finance	51	8	2.0x FY20E BV
ICICI Sec	83	13	25x FY20E PAT
Others	32	5	I Ventures and others
Total Value Of Subsidiaries	915	142	
Less: 20% Holdco Discount	183	28	
Net Value Of Subsidiaries	732	114	
Total Value	2,307	359	
Current Value	1,864	290	
Upside (%)	23.7	23.7	

Source: HDFC sec Inst Research;

Five Quarters At A Glance

Rs bn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY Growth	QoQ Growth
Net Interest Income	55.9	57.1	57.1	60.2	61.0	9.2%	1.3%
Non-interest Income	33.9	51.9	31.7	56.8	38.5	13.7%	-32.2%
Treasury Income	8.6	21.9	0.7	26.9	7.7	-10.7%	-71.5%
Operating Income	89.8	109.0	88.7	117.0	99.5	10.9%	-14.9%
Operating Expenses	37.9	39.1	38.1	41.9	41.5	9.2%	-1.0%
Pre Provision Profits (PPoP)	51.8	69.9	50.6	75.1	58.1	12.1%	-22.7%
Provisions And Contingencies	26.1	45.0	35.7	66.3	59.7	128.9%	-9.9%
PBT	25.7	24.8	14.9	8.9	(1.6)	-106.3%	-118.3%
Provision For Tax	5.3	4.3	(1.6)	(1.3)	(0.4)	-108.3%	-67.1%
PAT	20.5	20.6	16.5	10.2	(1.2)	-105.8%	-111.7%

In line with estimates with decent loan growth (+11% YoY) and sequentially stable NIMs

Includes gains of ~Rs 11.1bn from a 2% stake sale in ICICI Pru Life

Remain elevated as the bank beefed up PCR significantly; Includes MTM related provision of ~Rs 2.2bn

Balance Sheet items/ratios

Deposits	4,863	4,986	5,174	5,610	5,469	12.5%	-2.5%
CASA Deposits	2,380	2,469	2,606	2,899	2,763	16.1%	-4.7%
Advances	4,641	4,828	5,054	5,124	5,163	11.3%	0.8%
CD Ratio (%)	95.4	96.8	97.7	91.3	94.4	-103 bps	307 bps
CAR (%)	81.8	83.5	84.8	80.6	83.4	160 bps	280 bps
Tier I (%)	17.7	17.9	18.1	18.4	18.4	66 bps	-7 bps

Growth driven by robust SA accretion (+17% YoY) On an avg daily basis, the CASA ratio stood at ~46.1% (up 50bps QoQ)

Advances growth was led by a surge (+15% YoY) in domestic loans; Retail loans grew ~20% YoY while corporate growth was merely ~5% YoY

Profitability

Yield On Advances (%)	8.69	8.67	8.47	7.67	7.69	-100 bps	2 bps
Cost Of Funds (%)	5.16	5.04	4.90	4.93	4.99	-17 bps	6 bps
NIM (%)	3.27	3.27	3.14	3.24	3.19	-8 bps	-5 bps
Cost-Income Ratio (%)	42.3	35.9	43.0	35.8	41.6	-62 bps	587 bps
Tax Rate (%)	20.4	17.1	(10.9)	(14.8)	26.6	620 bps	4145 bps

One off interest income of 10bps; Domestic NIM stood at 3.54% and overseas NIM was merely 30bps

Asset quality

Gross NPA (Rs bn)	431.5	444.9	460.4	540.6	534.6	23.9%	-1.1%
Net NPA (Rs bn)	253.1	241.3	238.1	278.9	241.7	-4.5%	-13.3%
Gross NPAs (%)	7.99	7.87	7.82	8.84	8.81	82 bps	-3 bps
Net NPAs (%)	4.86	4.43	4.20	4.77	4.19	-67 bps	58 bps
Delinquency ratio (%)	4.29	3.95	3.55	12.37	3.14	-115 bps	-923 bps
Coverage Ratio (%)	41.3	45.8	48.3	48.4	54.8	1344 bps	637 bps
Restructuring O/s (%)	0.51	0.42	0.36	0.30	0.27	-24 bps	-3 bps

Includes retail slippages of ~Rs 11.2bn within which agri slippage was ~Rs 3.4bn; Retail GNPA stood at 1.78%

In addition to this, the bank has a watchlist of ~Rs 44bn and a BB and below rated pool of ~Rs 413bn

Change In Estimates

(Rs bn)	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	260.1	260.6	0.2%	291.1	291.8	0.2%
PPOP	249.6	249.8	0.1%	271.8	271.6	-0.1%
PAT	94.0	65.0	-30.8%	124.1	117.5	-5.3%
Adj. BVPS (Rs)	125.8	123.0	-2.2%	150.1	144.1	-4.0%

Source: HDFC sec Inst Research

The share of overseas loans continued to dip and now stands at ~12.3% vs 15.4% YoY

Domestic loans grew ~15/1% YoY/QoQ, led by Retail growth of ~20/3% YoY/QoQ.

Within retail, unsecured businesses were primary drivers with PL and cards growing ~48% and ~28% respectively

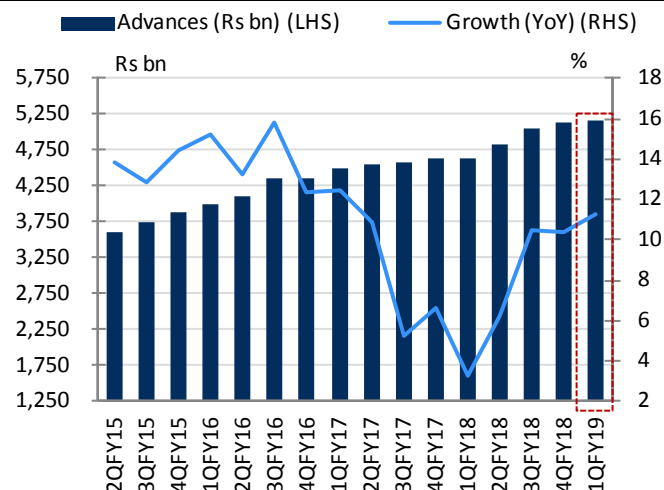
The share of Retail loans will continue to increase hereon

SME loans jumped ~17% YoY, albeit down ~7% sequentially

Growth in corporate loans remained muted at ~5% YoY

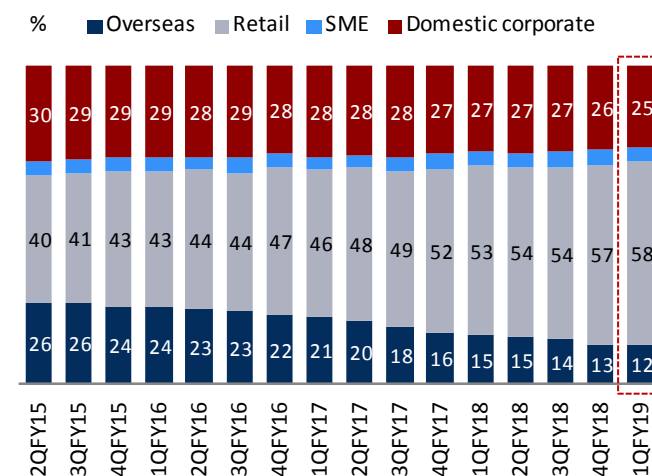
The mgt expects to grow the Retail book by ~15% in FY19.

Advances Grew By ~11/1% 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

(%)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Home	54.9	55.1	54.9	54.0	54.3	54.3	54.6	53.2	53.6	53.5	52.9	51.8	52.0
Vehicle	17.9	17.9	17.7	17.4	17.4	17.1	17.2	16.9	16.7	16.5	16.4	16.2	16.0
Other secured	20.4	19.9	19.9	21.0	20.3	20.4	19.5	20.9	20.3	20.3	20.6	21.6	21.0
PL	4.4	4.6	4.8	5.0	5.2	5.4	5.7	5.9	6.1	6.4	6.8	7.2	7.5
CC & Others	2.4	2.5	2.7	2.7	2.8	2.8	3.2	3.1	3.3	3.2	3.3	3.2	3.5

Source: Company, HDFC sec Inst Research

CASA deposits grew ~16% (down ~5% QoQ) to form ~50.5% of total deposits

On an avg basis, CASA ratio improved 50bps to 46.1%

SA grew ~17% YoY while CA grew ~13% YoY

Overall QoQ NIMs dipped 8/5bps YoY/QoQ

Domestic NIM were down 13bps QoQ at 3.52% while overseas NIM stood at merely 30bps

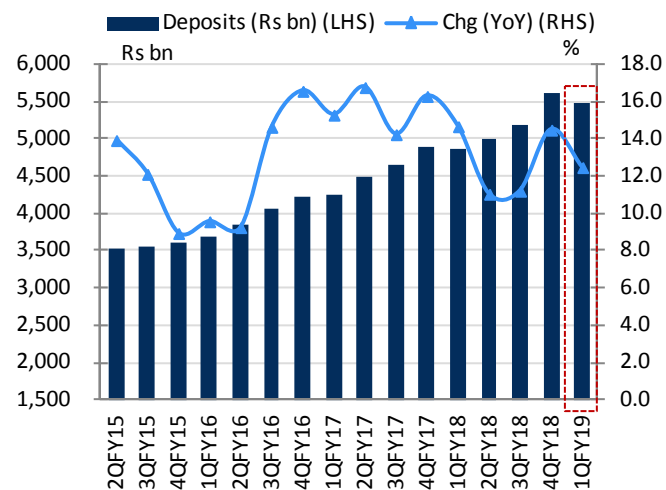
NIMs were boosted 10bps by a one-off recovery in a large account

We have factored in NIMs of 3.2% over FY18-20E

Overall core fees grew ~16% YoY largely driven by a ~18% growth in retail fees

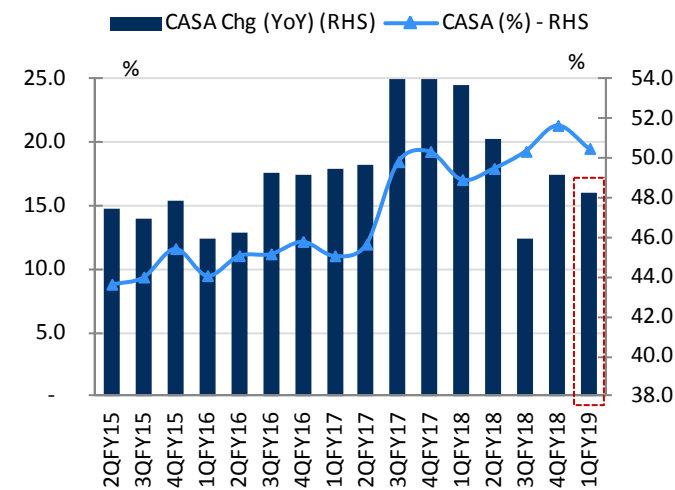
Retail fees now for 75% of total fees

Deposits Grew ~13% YoY, Down ~3% QoQ



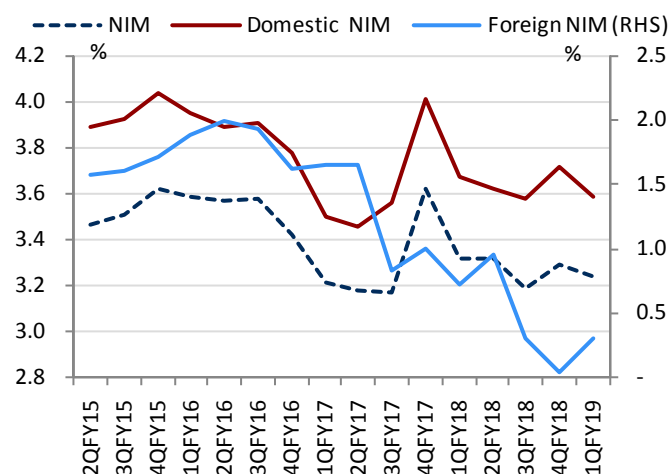
Source: Bank, HDFC sec Inst Research

CASA Ratio Dips 116bps Sequentially



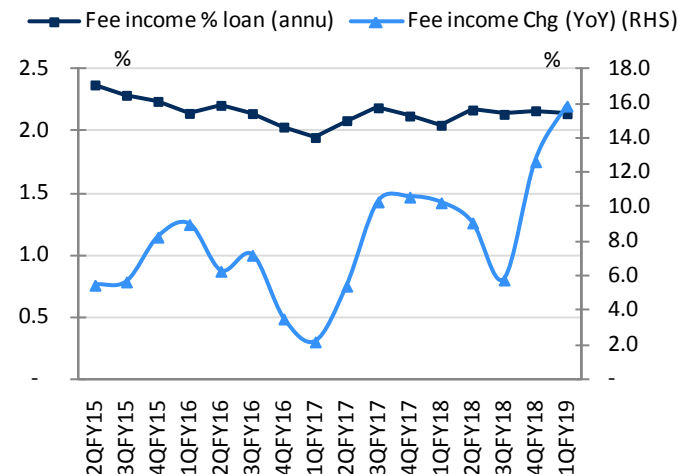
Source: Bank, HDFC sec Inst Research

NIMs Stable Sequentially



Source: Bank, HDFC sec Inst Research

Fee Growth Led By Retail Fees



Source: Bank, HDFC sec Inst Research

Other income was included ~Rs 11.1bn towards the 2% stake sale in ICICI Pru Life

Slippages of ~Rs 40.4bn were considerably lower than 4Q

Retail slippages stood at ~Rs ~11.2bn vs. Rs 7bn QoQ

Retail slippages include agri stress of ~Rs 3.4bn

ICICIBC has a total NCLT exposure of ~Rs 133.5bn and holds a coverage of ~69% on these accounts

The bank classified 3 a/cs in the Gems & Jewellery sector as fraud and has provided ~Rs 5.2bn on the same

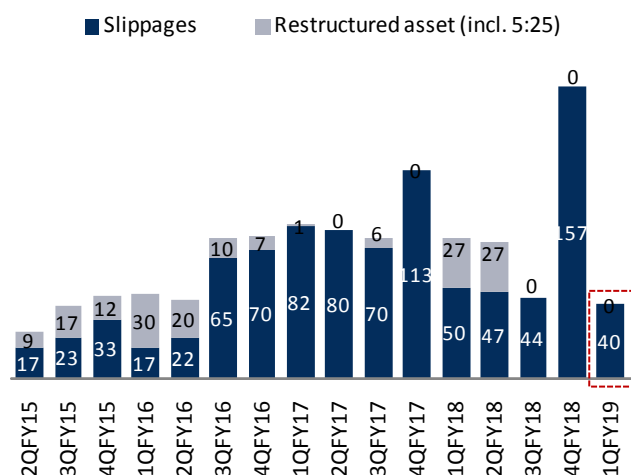
ICICIBC did not use the RBI dispensation on spreading MTM provisions and provided ~Rs 2.2bn in 1Q

Sharp Drop In Treasury Gains As Yields Jumped In 1Q

Rs bn	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Treasury	2.1	2.2	14.4	21.9	7.7	64.1	8.9	5.0	8.6	21.9	0.7	26.9	7.7
Fees	21.1	22.4	22.6	22.1	21.6	23.6	25.0	24.5	23.8	25.7	26.4	27.6	27.5
Others	6.7	5.5	5.1	7.1	5.1	3.5	5.5	0.7	1.5	4.2	4.6	2.4	3.3
Total	29.9	30.1	42.2	51.1	34.3	91.2	39.4	30.2	33.9	51.9	31.7	56.8	38.5
% of Total	36.9	36.4	43.6	48.6	39.9	63.5	42.3	33.6	37.7	47.6	35.7	48.5	38.7

Source: Bank, HDFC sec Inst Research

Slippages Dip Drastically

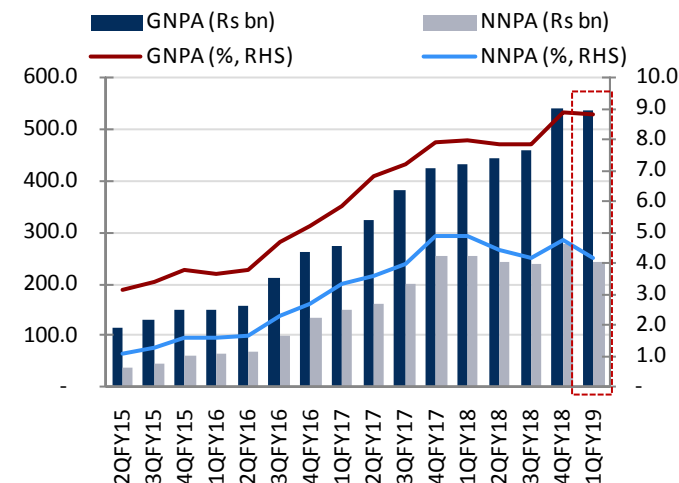


Source : Bank, HDFC sec Inst Research

Asset Quality Movement

Rs bn	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Opening	150.9	151.4	158.6	211.5	262.2	271.9	325.5	380.9	425.5	431.5	444.9	460.4	540.6
Additions	16.7	22.4	65.4	70.0	82.5	80.3	70.4	112.9	49.8	46.7	43.9	157.4	40.4
Reco/Upgrade	5.4	7.1	5.0	7.8	7.9	8.0	6.3	14.1	27.8	10.3	11.1	42.3	20.4
W/O	10.8	8.1	6.9	1.5	66.2	22.4	8.8	54.1	16.1	23.0	17.2	34.8	26.0
Closing	151.4	158.6	212.1	272.2	270.6	321.8	380.9	425.5	431.5	444.9	460.5	540.6	534.6
Slippage (% annu.)	1.70	2.22	6.20	6.44	7.46	7.11	6.17	9.80	4.29	3.95	3.55	12.37	3.14

G/NNPA Drop 3/58bps Sequentially



Source: Bank, HDFC sec Inst Research

Peer Set Comparison

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 #	2,498	1,311	BUY	1,378	175	207	238	48.9	39.0	30.5	5.99	4.96	4.22	13.2	13.2	14.3	1.72	1.73	1.77
ICICIBC #	1,886	293	BUY	359	105	123	143	19.5	18.7	9.7	1.94	1.55	1.22	7.3	6.7	9.5	0.81	0.70	1.11
AXSB	1,443	554	NEU	538	184	226	269	515.4	28.2	15.2	3.01	2.45	2.06	0.5	7.7	12.9	0.04	0.69	1.13
IIB	1,176	1,976	BUY	1,971	379	444	526	32.9	26.2	20.8	5.22	4.45	3.76	16.5	17.8	19.2	1.80	1.81	1.85
RBL	238	570	BUY	584	152	171	195	37.7	26.7	19.9	3.76	3.34	2.93	11.5	12.7	15.2	1.15	1.28	1.34
FB	179	91	NEU	103	54	60	69	20.3	15.0	11.2	1.68	1.50	1.32	8.3	9.4	11.6	0.69	0.79	0.90
CUB	113	169	BUY	231	55	66	77	19.0	16.3	14.0	3.05	2.57	2.20	15.3	15.4	15.4	1.57	1.60	1.57
KVB	71	98	BUY	148	61	63	74	20.6	18.1	8.9	1.62	1.55	1.33	6.1	6.2	12.2	0.54	0.56	1.01
DCBB	51	166	BUY	216	78	88	98	20.9	16.2	13.1	2.13	1.90	1.69	9.8	10.8	12.0	0.90	0.95	0.97
SBIN #	2,558	287	BUY	328	93	137	175	-25.5	16.0	7.3	2.00	1.36	1.06	-3.3	4.8	9.8	-0.21	0.29	0.60
BOB	296	128	BUY	182	75	108	138	-14.0	16.9	8.3	1.71	1.19	0.93	-6.1	4.5	8.6	-0.34	0.27	0.50

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

Income Statement

(Rs bn)	FY16	FY17	FY18	FY19E	FY20E
Interest Earned	527.4	541.6	549.7	632.5	727.8
Interest Expended	315.2	324.2	319.4	374.1	435.9
Net Interest Income	212.2	217.4	230.3	258.4	291.9
Other Income	153.2	195.0	174.2	162.0	169.1
<i>Fee Income (CEB)</i>	74.6	80.3	86.1	97.1	111.3
<i>Treasury Income</i>	38.0	86.2	58.0	32.5	22.5
Total Income	365.5	412.4	404.5	420.4	461.0
Total Operating Exp	126.8	147.6	157.0	173.2	189.5
<i>Employee Expense</i>	50.0	57.3	59.1	64.5	70.2
PPOP	238.6	264.9	247.4	247.2	271.5
Provisions & Contingencies	116.7	152.1	173.8	172.8	132.0
<i>Prov. For NPAs (Incl. Std Prov.)</i>	75.1	150.3	170.8	170.8	130.0
PBT	122.0	112.8	73.7	74.5	139.4
Provision For Tax	24.7	14.8	6.6	8.9	23.7
PAT	97.3	98.0	67.1	65.5	115.7

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs bn)	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	11.6	11.7	12.9	12.9	12.9
Reserves	885.7	987.8	1,038.4	1,086.3	1,179.1
Shareholders' Funds	897.3	999.4	1,051.3	1,099.2	1,192.0
<i>Savings</i>	1,342.3	1,718.4	2,009.7	2,311.1	2,600.0
<i>Current</i>	588.7	749.8	889.6	1,023.0	1,145.8
<i>Term Deposit</i>	2,283.3	2,432.2	2,710.5	3,022.2	3,445.3
Total Deposits	4,214.3	4,900.4	5,609.8	6,356.3	7,191.1
Borrowings	1,748.1	1,475.6	1,828.6	2,066.2	2,335.7
Other Liabilities	347.3	342.5	302.0	332.1	365.2
Total Liabilities	7,207.0	7,717.9	8,791.6	9,853.8	11,083.9
APPLICATION OF FUNDS					
Cash & Bank Balance	598.7	757.1	841.7	1,117.9	1,307.4
Investments	1,604.1	1,615.1	2,029.9	2,083.1	2,190.9
<i>G-Secs</i>	1,106.5	1,125.1	1,487.2	1,525.5	1,618.0
Advances	4,352.6	4,642.3	5,124.0	5,815.5	6,704.9
Fixed Assets	75.8	78.1	79.0	81.0	83.0
Other Assets	575.7	625.3	717.3	756.3	797.6
Total Assets	7,207.0	7,717.9	8,791.9	9,853.8	11,083.9

Source: Bank, HDFC sec Inst Research

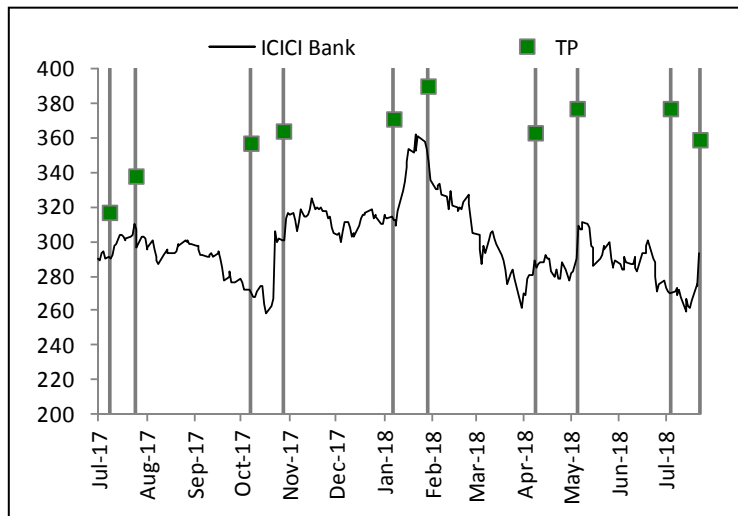
Key Ratios

	FY16	FY17	FY18	FY19E	FY20E
VALUATION RATIOS					
EPS (Rs)	16.7	16.8	10.4	10.2	18.0
Earnings Growth (%)	(13.0)	0.8	(31.6)	(2.3)	76.6
BVPS (Rs)	154.3	171.6	163.5	171.0	185.4
Adj. BVPS (Rs)	113.0	110.6	104.8	122.7	143.1
DPS (Rs)	5.0	4.4`	1.5	2.5	3.0
ROAA (%)	1.42	1.31	0.81	0.70	1.11
ROAE (%)	11.1	10.0	7.3	6.7	9.5
P/E (x)	13.7	12.5	19.5	18.7	9.7
P/ABV (x)	2.0	1.9	1.94	1.55	1.22
P/PPOP (x)	1.4	1.3	1.5	1.5	1.4
Dividend Yield (%)	1.7	1.5	0.5	0.9	1.1
PROFITABILITY					
Yield On Advances (%)	9.47	8.81	8.37	8.67	8.97
Yield On Investment (%)	6.67	7.07	6.35	6.35	6.35
Cost Of Funds (%)	5.58	5.26	4.62	4.72	4.86
Cost Of Deposits (%)	5.50	5.02	4.32	4.37	4.46
Core Spread (%)	3.89	3.55	3.74	3.95	4.12
NIM (%)	3.56	3.35	3.21	3.21	3.26
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.9	2.0	1.9	1.9	1.8
Cost-Income Ratio (Ex. Treasury)	38.7	45.2	45.3	44.6	43.2
BALANCE SHEET STRUCTURE					
Loan Growth (%)	12.3	6.7	10.4	13.5	15.3
Deposit Growth (%)	16.6	16.3	14.5	13.3	13.1
C/D Ratio (%)	103.3	94.7	91.3	91.5	93.2
Equity/Assets (%)	12.5	12.9	12.0	11.2	10.8
Equity/Advances (%)	20.6	21.5	20.5	18.9	17.8
CASA (%)	45.8	50.4	51.7	52.5	52.1
Capital Adequacy Ratio (CAR, %)	16.6	17.4	18.4	15.3	14.6
W/w Tier I CAR (%)	13.1	14.4	15.9	13.3	12.8

	FY16	FY17	FY18	FY19E	FY20E
ASSET QUALITY					
Gross NPLs (Rs bn)	262.2	421.6	540.6	505.1	425.2
Net NPLs (Rs bn)	129.6	252.2	278.9	212.1	173.6
Gross NPLs (%)	5.82	7.89	8.84	8.68	6.34
Net NPLs (%)	2.98	4.20	4.77	3.65	2.59
Slippages (%)	7.46	5.88	3.20	2.50	7.46
Coverage Ratio (%)	50.6	40.2	48.4	58.0	59.2
Provision/Avg. Loans (%)	1.8	3.3	3.5	3.1	2.1
ROAA TREE					
Net Interest Income	3.11%	2.91%	2.79%	2.77%	2.79%
Non-interest Income	2.24%	2.61%	2.11%	1.74%	1.61%
<i>Treasury Income</i>	<i>0.56%</i>	<i>1.16%</i>	<i>0.70%</i>	<i>0.35%</i>	<i>0.21%</i>
Operating Cost	1.86%	1.98%	1.90%	1.86%	1.81%
Provisions	1.71%	2.04%	2.10%	1.85%	1.26%
<i>Provisions For NPAs</i>	<i>1.06%</i>	<i>1.97%</i>	<i>2.04%</i>	<i>1.79%</i>	<i>1.20%</i>
Tax	0.36%	0.20%	0.08%	0.10%	0.23%
ROAA	1.42%	1.31%	0.81%	0.70%	1.11%
Leverage (x)	8.03	7.87	8.05	8.67	9.14
ROAE	11.43%	10.33%	6.54%	6.10%	10.10%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-Jul-17	290	BUY	317
28-Jul-17	309	BUY	338
9-Oct-17	272	BUY	357
28-Oct-17	302	BUY	364
9-Jan-18	313	BUY	371
1-Feb-18	353	BUY	390
10-Apr-18	289	BUY	363
8-May-18	290	BUY	377
6-Jul-18	272	BUY	377
29-Jul-18	293	BUY	359

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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