

October 26, 2019

## Q2FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	541		518	
NII (Rs. m)	380,287	448,498	381,067	457,001
% Chng.	(0.2)	(1.9)		
Op. Profit (Rs. m)	319,203	374,938	323,613	387,583
% Chng.	(1.4)	(3.3)		
EPS (Rs.)	26.3	33.1	26.7	34.4
% Chng.	(1.4)	(3.8)		

### Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
NII (Rs m)	270,148	320,243	380,287	448,498
Op. Profit (Rs m)	234,379	268,485	319,203	374,938
PAT (Rs m)	29,498	86,794	169,468	213,139
EPS (Rs.)	4.6	13.5	26.3	33.1
Gr. (%)	(54.1)	193.8	95.3	25.8
DPS (Rs.)	1.5	2.0	2.6	3.0
Yield (%)	0.3	0.4	0.6	0.6
NIM (%)	3.2	3.4	3.5	3.6
RoAE (%)	2.8	7.8	13.8	15.2
RoAA (%)	0.3	0.8	1.4	1.6
P/BV (x)	2.9	2.7	2.4	2.1
P/ABV (x)	3.5	3.2	2.7	2.3
PE (x)	102.4	34.8	17.8	14.2
CAR (%)	16.9	17.2	18.1	18.7

### Key Data

ICBK.BO | ICICIBC IN

52-W High / Low	Rs.471 / Rs.312
Sensex / Nifty	39,058 / 11,584
Market Cap	Rs.3,030bn / \$ 42,730m
Shares Outstanding	6,460m
3M Avg. Daily Value	Rs.19925.74m

### Shareholding Pattern (%)

Promoter's	-
Foreign	40.79
Domestic Institution	47.72
Public & Others	11.49
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	8.0	18.6	46.6
Relative	6.8	17.6	26.5

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## Strong all round performance

### Quick Pointers:

- Strong core PPOP growth of 24% YoY continues
- Slippages came off Rs24.8bn (1.7% annualized of loans), while BB & Below book stood steady at 2.6% of loans

**ICICIBC reported earnings of Rs6.55bn (PLe: Rs0.25bn) as it marked down DTA of ~Rs29.0bn, while all round contribution to PBT was from strong NII growth, other income and comparatively lower provisions. Bank enhanced its PCR further by 200bps QoQ to 76% (85% incl. technical w.off) and is best in industry, while lower slippages helped asset quality improvement. BB & Below is steady at 2.6% of loans. Improving NIMs, strong PCR with lowering asset quality risks and control on opex keeps the bank on path of strong recovery in earnings leading to 16-17% ROE for s'alone entity by FY22. We retain strong conviction BUY with revised TP of Rs541 (from Rs518) based on 2.1x Sep-21 ABV & and higher insurance value derived from rollover.**

- Core performance growth has remained unhindered:** Core PPOP grew by 24% YoY led by strong growth in NII of 26% YoY and steady fee growth of 16% YoY. Treasury & recovery from w.off account also helped deliver PPOP growth of 30% YoY. NIMs were up 4bps QoQ to 3.61% with flattish domestic NIMs of 3.92% on better yields as incremental mix has changed towards high yielding retail but slightly offset from flattish funding cost on strong retail TDs growth of +35% YoY. Fee income from retail continued to be +20% YoY with retail contributing 74% of fee income.
- Better asset quality with lowering risks:** Slippages came in lower at Rs24.8bn (1.7% of loans) v/s Rs27.9bn, while saw better upgrade/recoveries of Rs12.6bn and relatively lower w.off which leading to better asset quality. Key positive was further improvement to PCR by 200bps QoQ to 76% (85% incl. technical w.off) which is one of the best in industry and gives cushion on asset quality and lower credit cost to 140-150bps from 190-200bps currently. The 'BB & Below' stood steady at 2.6% of loans or at Rs160.0bn, although saw marginal net downgrades of Rs11.0bn into the portfolio but importantly displays no large stress exposure to some downgraded groups or emerging stress groups, while also has lower exposure to telecom/HFCs/NBFCs/Builders.
- Continues traction in liabilities; retail particularly remains strong:** Deposits grew strong 25% YoY led by TDs growth of 36% YoY, while CASA growth of 14% has been better than industry even on average CASA. **On assets**, loan growth was slowed to 12.6% YoY but retail particularly is growing strong at 25% YoY with unsecured growing +45% YoY & biz banking. Bank has also grown strong in 2W/CVs from lower base and steady in mortgages. Bank is making up in certain segments which it has lower market share.
- Further steam left for re-rating:** Banks valuations have caught up from 1.4x core ABV to currently 1.7x core ABV led by delta from lowering asset quality risks, improving balance sheet profile and higher retail share. Further room remains for re-rating as operating performance stands out amongst others with absence of any large lumpy exposure in the current challenging environment.

**Exhibit 1: Strong operating metrics, declined provisions help PBT**

*NII growth of 26% maintained on loan growth and higher share of retail loan book*

*Core fee income grew at a decent 16% YoY while treasury gains and other non-int income growth also supported other income growth*

*Staff expenses were up on increased hiring and some actuarial liabilities provisions*

*Provisions requirement came down on lower slippages and adequate PCR*

*Loan growth rate remains steady while deposits grew robustly*

*Margins increased by 34bps YoY while return ratios were impacted by one-off DTA expense*

*Overall Asset quality improves significantly especially on NNPA basis supported by higher PCR*

*CASA mix has come off period end basis but sees improvement sequentially while on an average basis also there has been some decline*

*Bank's Tier-I remains strong at 14.6% with CET-I at 13.2%*

P & L (Rs mn)	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	QoQ gr. (%)
Interest income	185,653	151,056	22.9	179,801	3.3
Interest expense	105,079	86,881	20.9	102,426	2.6
<b>Net interest income (NII)</b>	<b>80,574</b>	<b>64,176</b>	<b>25.6</b>	<b>77,374</b>	<b>4.1</b>
- Treasury income	3,410	(350)	NA	1,790	90.5
Other income	41,942	31,565	32.9	34,254	22.4
<b>Total income</b>	<b>122,517</b>	<b>95,741</b>	<b>28.0</b>	<b>111,629</b>	<b>9.8</b>
Operating expenses	53,776	43,244	24.4	48,744	10.3
-Staff expenses	21,413	16,614	28.9	19,533	9.6
-Other expenses	32,362	26,630	21.5	29,211	10.8
<b>Operating profit</b>	<b>68,741</b>	<b>52,497</b>	<b>30.9</b>	<b>62,885</b>	<b>9.3</b>
<b>Core operating profit</b>	<b>65,331</b>	<b>52,847</b>	<b>23.6</b>	<b>61,095</b>	<b>6.9</b>
Total provisions	25,069	39,943	(37.2)	34,957	(28.3)
<b>Profit before tax</b>	<b>43,672</b>	<b>12,554</b>	<b>247.9</b>	<b>27,927</b>	<b>56.4</b>
Tax	37,123	3,465	971.2	8,847	319.6
<b>Profit after tax</b>	<b>6,550</b>	<b>9,089</b>	<b>(27.9)</b>	<b>19,080</b>	<b>(65.7)</b>
<b>Balance Sheet (Rs m)</b>					
Deposits	6,962,730	5,586,689	24.6	6,607,318	5.4
Advances	6,133,587	5,444,866	12.6	5,924,154	3.5
<b>Profitability ratios</b>					
<b>NIM</b>	<b>3.6</b>	<b>3.3</b>	<b>34</b>	<b>3.6</b>	<b>3</b>
RoAA	0.3	0.4	(16)	0.8	(54)
RoAE	2.4	3.4	(100)	7.0	(460)
<b>Asset Quality</b>					
Gross NPA (Rs m)	456,388	544,890	(16.2)	457,631	(0.3)
Net NPA (Rs m)	109,164	220,857	(50.6)	118,565	(7.9)
<b>Gross NPL ratio</b>	<b>6.4</b>	<b>8.5</b>	<b>(217)</b>	<b>6.5</b>	<b>(12)</b>
<b>Net NPL ratio</b>	<b>1.6</b>	<b>3.7</b>	<b>(205)</b>	<b>1.8</b>	<b>(17)</b>
Coverage ratio (calc.)	76.1	59.5	1,661	74.1	199
<b>Business &amp; Other Ratios</b>					
CASA mix	46.7	50.8	(410)	45.2	150
CASA mix - Average	42.2	47.1	(490)	43.4	(120)
Cost-income ratio	43.9	45.2	(127)	43.7	23
Non int. inc / total income	34.2	33.0	126	30.7	355
Credit deposit ratio	88.1	97.5	(937)	89.7	(157)
CAR	16.1	17.8	(170)	16.2	(5)
Tier-I	14.6	15.4	(76)	14.6	2

Source: Company, PL

## Key Q2FY20 Concall Highlights

### Business growth and outlook

- **Liabilities –**
  - Have been focused on growing the term deposits as rate differential has increased with CASA but have tried to grow near to industry growth. Bank suggested CASA growth to face competitive heat, although with new branch expansion, bank will continue to see steady cost of fund trajectory.
  - Avg CA growth was +15% YoY as efforts came in from growth in business banking, corporate payments and the government segment
- **Assets -**
  - Growth in loan book strongly supported by retail advances growth. Retail have been doing strong growth from most segments with unsecured/biz banking and mortgages are doing strong and this is due to retail market share in some segments in lower for the bank and is catching up.
  - **HFC/NBFC/Builder –** Builder portfolio does not have high exposure to one particular builder but remains widely spread out and is 4.0% of loans. HFC loans share increased to strong companies which remain high comfort and high quality in market.
  - **Telecom exposure –** Bank has telecom exposure of Rs200bn or 1.8% of exposure incl. FB+NFB and mainly top two entities in the sector.
  - Continues to focus on domestic loan book growth with continued retail and opportunistically corporate mainly in emerging corporates

### Margins/Fees/Opex

- Margins Continued to focus on NIMs through yields and mix. NIM was up 3bps sequentially to 3.64%, and up 34bps YoY. Bank retains guidance of targeting consolidated RoE of 15% by June 2020.
- Overall fees grew by 16% YoY with retail fees continuing to grow +20% YoY and now contributes 74% of total fees
- Opex grew mainly on branch expansion costs, branch expansion, branding & promotions. Staff opex was up actuarial assumptions being up on lower yields, while adding front line staff especially in retail and in rural branches.

### Asset Quality

- Exposure to the **Telecom** sector is to the top 2 players, regarding the **Steel** sector exposure, the account is under IBC and resolution is awaited under the Supreme Court and Bank had purchased a Portfolio from an **HFC** undergoing resolution though the portfolio is stable.

- PCR increased further to 85% (including technical write-offs) and emphasized to keep PCR at similar levels as +70% is enough and hence maintain credit cost guidance of 120-130bps in FY20. Credit cost guidance is also build on basis of certain lumpy recoveries in FY20.
- BB & Below book grew by Rs7bn QoQ on net basis to Rs161bn though it remained at 2.6% of exposure. The book saw slippages of Rs3.7bn from the book, Rs11.0bn of net of downgrades into the book. Bank also has nominal investments of Rs7.0bn in the overall book.
- Bought loan assets from DHFL are very granular in nature, while bank has taken over the collections for the loans and see no risk to portfolio.

## Capital

- CET-I stood at 13.2% at end of Sep-19. Bank got benefit of 25bps from lowered RWA on consumer (ex-credit cards) loans as per RBI directions

### Exhibit 2: Loan split and growth trends

Loan Book Details	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	QoQ gr. (%)
<b>Total Loan Book</b>	6,133,587	5,444,866	12.6	5,924,154	3.5
Domestic Loan book	5,533,237	4,754,356	16.4	5,327,754	3.9
Retail Loan book	3,809,660	3,118,130	22.2	3,635,960	4.8
Domestic Corporate book	1,532,940	1,489,500	2.9	1,514,810	1.2
SME	190,640	146,730	29.9	176,980	7.7
International Loan book	600,350	690,510	(13.1)	596,400	0.7
<b>Retail Loan book break-up</b>					
Home Loans	1,907,760	1,608,100	18.6	1,839,300	3.7
Vehicle loans	569,120	489,040	16.4	560,580	1.5
Personal Loans & CC	524,520	355,680	47.5	481,360	9.0
Business Banking	227,430	155,130	46.6	193,450	17.6
Rural	519,200	435,600	19.2	500,330	3.8
<b>Composition of Loan Book</b>					
Domestic Loan book	90%	87%	289	90%	28
Retail Loan book	69%	66%	327	68%	60
Domestic Corporate book	28%	31%	(362)	28%	(73)
SME	3%	3%	36	3%	12
International Loan book	10%	13%	(289)	10%	(28)
<b>Retail Loan book break-up</b>					
Home Loans	50%	52%	(150)	51%	(51)
Vehicle loans	15%	16%	(74)	15%	(48)
Personal Loans & CC	14%	11%	236	13%	53
Business Banking	6%	5%	99	5%	65
Rural	14%	14%	(34)	14%	(13)

Source: Company, PL

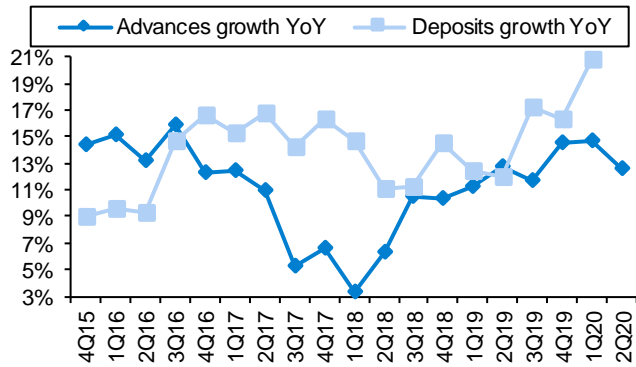
Domestic loans led by robust growth in retail book; while overseas book continues to consolidate but grew slightly sequentially

Unsecured retail book remains strong; Home loan portfolio saw robust growth at 19% YoY while 2W & CV support vehicle loan growth

Business banking continues to grow at a healthy pace, while rural is also seeing good growth helping overall retail growth of 22% YoY

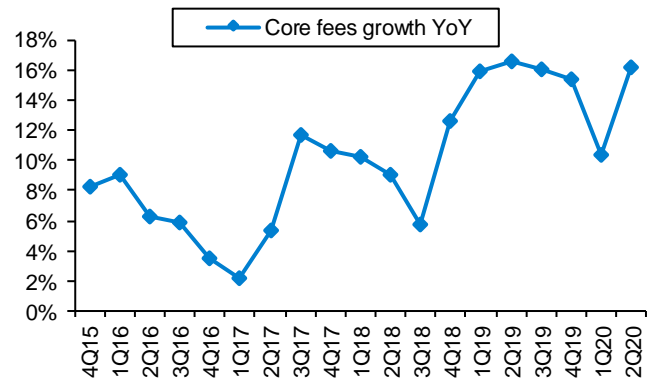
Retail loans continues to improve its share mainly from growth in unsecured lending

**Exhibit 3: Deposits grow strong, loan growth slows down**



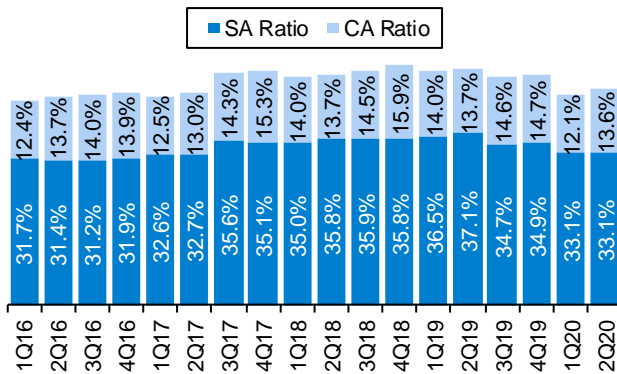
Source: Company, PL

**Exhibit 4: Core fees growth recovers from fall**



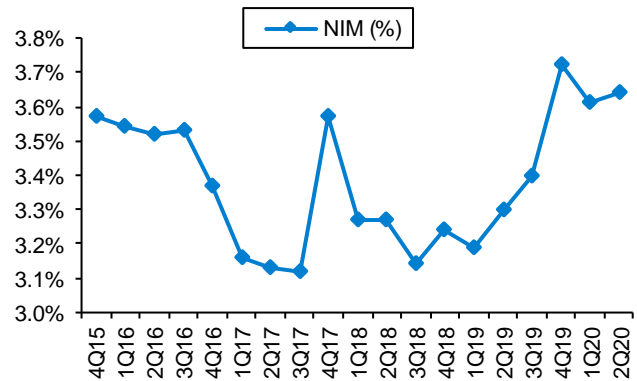
Source: Company, PL

**Exhibit 5: CASA mix continues to come off on strong TDs growth**



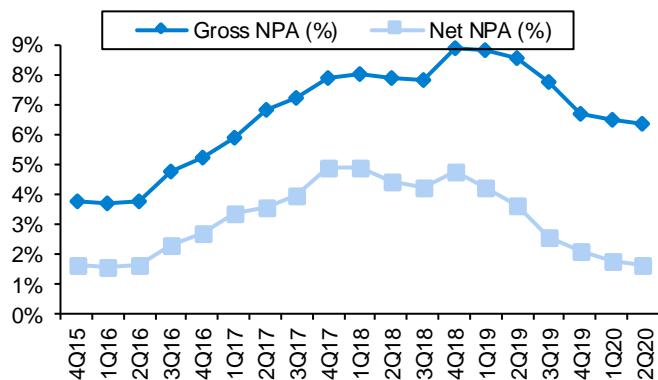
Source: Company, PL

**Exhibit 6: NIMs see improvement while being steady sequentially**



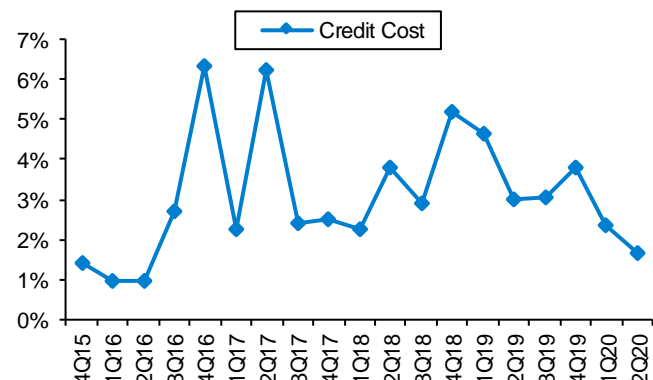
Source: Company, PL

**Exhibit 7: Asset quality at multi quarter lows on lower slippages**



Source: Company, PL

**Exhibit 8: Banks credit cost continue to come off on lower slippages and much adequate PCR**



Source: Company, PL

**Exhibit 9: Stressed watchlist has been steady**

Particulars (Rs Million)	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Gross Restructured Loans	3,910	3,490	1,510	2,240
Non Fund O/s to restructured loans	1,780	2,150	910	
Non Fund O/s to non-performing loans	34,080	42,200	36,270	33,710
Other loans under RBI scheme not included above	25,160	25,380	18,240	
Non fund O/s to borrowers where S4A has been implemented	14,970	15,390	15,750	
Borrowers with o/s >Rs1.0bn	97,400	78,000	71,890	85,910
Borrowers with o/s <Rs1.0bn	50,950	49,410	42,970	38,880
<b>Total</b>	<b>188,120</b>	<b>175,250</b>	<b>153,550</b>	<b>160,740</b>
<b>Movement in BB &amp; Below Book</b>				
Slippage to NPA	9,510	18,770	12,680	11,590
Upgrades to investment grade & O/s reduction	30,330	5,630	16,180	
Downgrades from investment grade	10,080	8,650	7,160	
<b>BB &amp; Below at end of period</b>	<b>188,120</b>	<b>175,250</b>	<b>153,550</b>	<b>160,740</b>
% of Net Advances	3.3%	3.0%	2.6%	2.6%
<b>GNPA %</b>	<b>7.8%</b>	<b>6.7%</b>	<b>6.5%</b>	<b>6.4%</b>
<b>NNPA %</b>	<b>2.6%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.6%</b>
<b>Net Stressed Assets %</b>	<b>5.9%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>4.2%</b>

Source: Company, PL

Slightly higher downgrades to <BB rating portfolio but lower size, on net basis added Rs11.0bn excl. slippages

Overall watch list has been coming off steadily from 3.3% in Q3FY19 to 3.0% in Q4FY19 and remains steady at 2.6% of exposure

**Exhibit 10: Lower asset quality issues across buckets as recoveries and upgrades see an uptick**

Asset Quality Break-up	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Fresh Slippages	49,760	46,740	43,800	157,370	40,360	31,170	20,910	35,470	27,790	24,820
- Retail	8,790	6,300	7,930		11,200	7,600	10,710	8,230	15,110	13,230
- Non retail (corporate/sme)	40,970	40,440	35,870		29,160	23,570	10,200	27,240	12,680	11,590
- Slippage from Restructured	14,760	3,720	1,970	3,270	820	540	690	-	1,860	
- Slippages below Investment grade	3,590	2,560	6,140	117,760	3,030	8,280	9,510	18,770	9,770	3,730
- In existing NPA on Re depreciation					10,000	13,040	(7200)	-	-	3,490
Recovery & Upgrades	27,750	10,290	11,080	42,340	20,360	10,060	19,160	15,220	9,310	12,630
Write-offs & Sale of NPA	16,050	23,040	17,220	34,792	25,980	10,870	30,730	73,248	23,766	13,433

Source: Company, PL

**Exhibit 11: RoE tree decomposition – Return ratios to improve in double digits in FY21 onwards**

RoA decomposition	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Net interest income</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>
Treasury income	0.6	0.9	1.3	0.9	0.3	0.3	0.3	0.3
Other Inc. from operations	1.4	1.4	1.3	1.2	1.2	1.2	1.2	1.2
<b>Total income</b>	<b>5.0</b>	<b>5.3</b>	<b>5.5</b>	<b>4.9</b>	<b>4.5</b>	<b>4.6</b>	<b>4.7</b>	<b>4.8</b>
Employee expenses	0.8	0.7	0.8	0.7	0.7	0.8	0.8	0.8
Other operating expenses	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
<b>Operating profit</b>	<b>3.2</b>	<b>3.5</b>	<b>3.5</b>	<b>3.0</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>
Tax	0.6	1.7	2.0	2.1	2.2	1.1	0.8	0.6
Loan loss provisions	0.7	0.4	0.2	0.1	0.0	0.7	0.5	0.6
<b>RoAA</b>	<b>1.8</b>	<b>1.4</b>	<b>1.3</b>	<b>0.8</b>	<b>0.3</b>	<b>0.8</b>	<b>1.4</b>	<b>1.6</b>
<b>RoAE</b>	<b>14.5</b>	<b>11.4</b>	<b>10.3</b>	<b>6.6</b>	<b>2.8</b>	<b>7.8</b>	<b>13.8</b>	<b>15.2</b>

Source: Company, PL

**Exhibit 12: Change in estimates table – We tweak slightly upwards opex and credit cost**

(Rs mn)	Old			Revised			%Change		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Net interest income	319,000	381,067	457,001	320,243	380,287	448,498	0.4	(0.2)	(1.9)
Operating profit	270,401	323,613	387,583	268,485	319,203	374,938	(0.7)	(1.4)	(3.3)
Net profit	102,017	171,929	221,582	86,794	169,468	213,139	(14.9)	(1.4)	(3.8)
EPS (Rs)	15.8	26.7	34.4	13.5	26.3	33.1	(14.9)	(1.4)	(3.8)
ABVPS (Rs)	148.3	172.1	202.3	147.9	172.1	202.5	(0.3)	(0.0)	0.1
<b>Price target (Rs)</b>		<b>518</b>			<b>541</b>			<b>4.3</b>	
<b>Recommendation</b>		<b>BUY</b>			<b>BUY</b>				

Source: PL

**Exhibit 13: We marginally revise upwards our TP to Rs541 (from Rs518) based on 2.1x Sep-21 ABV and SOTP of Rs146**

PT calculation and upside	
Terminal Growth	5.0%
Market-risk Premium	6.5%
Risk-free Rate	7.5%
Adjusted Beta	1.02
<b>Cost of Equity</b>	<b>14.1%</b>
Fair price - P/ABV	<b>394</b>
<b>Target P/ABV</b>	<b>2.1</b>
<b>Target P/E</b>	<b>13.3</b>
Value of subs/other businesses	146
<b>Price target (Rs)</b>	<b>541</b>
Current price, Rs	469
<b>Upside (%)</b>	<b>15%</b>

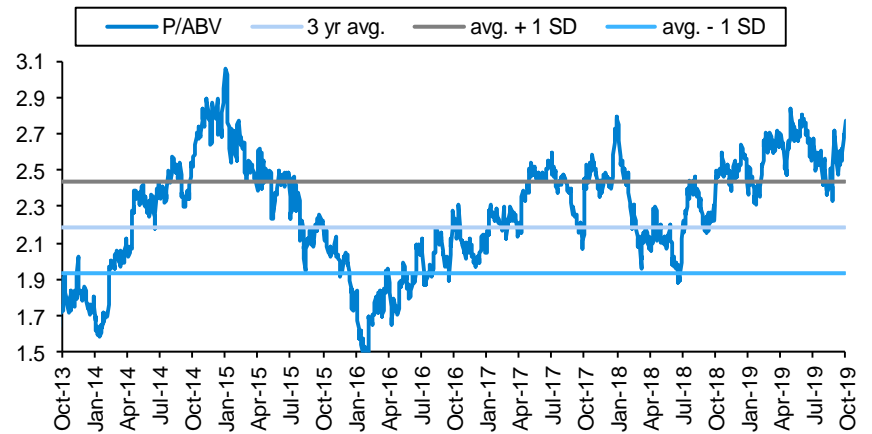
Source: Company, PL

**Exhibit 14: Bank multiple at 2.1x (from 2.0x) and some value accretion from insurance subsidiaries**

Value per share (Rs)	Holding (%)	Multiple	Basis	Sep-20E
ICICI Standalone	100	2.0x		<b>394</b>
<b>Subsidiaries / Others</b>				
ICICI Bank UK	100	1x	BV	1
ICICI Bank Canada	100	1x	BV	1
Life insurance	53	2.5x EV & 21x NBV	IEV	58
General insurance	56		M.Cap	47
Asset management	51	7.0%	AUM	31
Private equity	100	15	PAT	2
Primary dealer	100	12x	PAT	3
Investment banking	80	12x	PAT	2
Home finance	100	1.5x	ABV	3
<b>Total subsidiaries' value</b>				<b>146</b>
% contribution of Subsidiaries				27
<b>Total fair value per share</b>				<b>541</b>

Source: Company, PL

Exhibit 15: ICICIBC One year forward P/ABV trends



Source: Company, PL



**Income Statement (Rs. m)**

Y/e Mar	FY19	FY20E	FY21E	FY22E
Int. Earned from Adv.	479,426	566,752	649,847	747,544
Int. Earned from invt.	127,969	148,670	176,347	211,932
Others	26,617	28,473	30,821	33,593
<b>Total Interest Income</b>	<b>634,012</b>	<b>743,894</b>	<b>857,015</b>	<b>993,069</b>
Interest Expenses	363,864	423,651	476,727	544,570
<b>Net Interest Income</b>	<b>270,148</b>	<b>320,243</b>	<b>380,287</b>	<b>448,498</b>
Growth(%)	2.7	15.2	16.5	15.7
Non Interest Income	145,122	158,183	177,164	196,653
<b>Net Total Income</b>	<b>415,270</b>	<b>478,426</b>	<b>557,452</b>	<b>645,151</b>
Growth(%)	7.6	15.8	14.6	15.0
Employee Expenses	68,082	82,380	93,913	106,122
Other Expenses	105,039	119,745	136,509	156,030
Operating Expenses	180,891	209,941	238,249	270,213
<b>Operating Profit</b>	<b>234,379</b>	<b>268,485</b>	<b>319,203</b>	<b>374,938</b>
Growth(%)	(5.3)	14.6	18.9	17.5
NPA Provision	168,112	100,199	78,553	73,933
Total Provisions	200,746	110,900	90,191	86,913
<b>PBT</b>	<b>33,633</b>	<b>157,585</b>	<b>229,011</b>	<b>288,025</b>
Tax Provision	4,135	70,791	59,543	74,887
Effective tax rate (%)	12.3	44.9	26.0	26.0
<b>PAT</b>	<b>29,498</b>	<b>86,794</b>	<b>169,468</b>	<b>213,139</b>
Growth(%)	(51.8)	194.2	95.3	25.8

**Balance Sheet (Rs. m)**

Y/e Mar	FY19	FY20E	FY21E	FY22E
Face value	2	2	2	2
No. of equity shares	6,447	6,447	6,447	6,447
Equity	12,895	12,895	12,895	12,895
Networth	1,083,634	1,154,954	1,304,307	1,494,235
Growth(%)	3.1	6.6	12.9	14.6
Adj. Networth to NNPA's	135,774	97,554	81,751	66,258
Deposits	6,529,197	7,769,744	9,090,601	10,726,909
Growth(%)	16.4	19.0	17.0	18.0
CASA Deposits	3,239,403	3,783,865	4,454,394	5,299,093
% of total deposits	49.6	48.7	49.0	49.4
<b>Total Liabilities</b>	<b>9,644,545</b>	<b>10,963,061</b>	<b>12,531,248</b>	<b>14,471,901</b>
Net Advances	5,866,466	6,658,439	7,623,912	8,805,619
Growth(%)	14.5	13.5	14.5	15.5
Investments	2,077,327	2,473,678	2,933,662	3,459,595
<b>Total Assets</b>	<b>9,644,591</b>	<b>10,963,061</b>	<b>12,531,248</b>	<b>14,471,901</b>
Growth (%)	9.7	13.7	14.3	15.5

**Asset Quality**

Y/e Mar	FY19	FY20E	FY21E	FY22E
Gross NPAs (Rs m)	456,761	413,669	375,263	348,584
Net NPAs (Rs m)	135,774	97,554	81,751	66,258
Gr. NPAs to Gross Adv.(%)	7.8	6.2	4.9	4.0
Net NPAs to Net Adv. (%)	2.3	1.5	1.1	0.8
NPA Coverage %	70.3	76.4	78.2	81.0

**Profitability (%)**

Y/e Mar	FY19	FY20E	FY21E	FY22E
NIM	3.2	3.4	3.5	3.6
RoAA	0.3	0.8	1.4	1.6
RoAE	2.8	7.8	13.8	15.2
Tier I	15.1	15.7	16.7	17.6
CRAR	16.9	17.2	18.1	18.7

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Interest Income	162,804	172,928	179,801	185,653
Interest Expenses	94,052	96,727	102,426	105,079
<b>Net Interest Income</b>	<b>68,753</b>	<b>76,201</b>	<b>77,374</b>	<b>80,574</b>
YoY growth (%)	18.2	17.3	18.8	20.9
CEB	30,620	31,780	30,390	34,780
Treasury	-	-	-	-
Non Interest Income	38,829	36,210	34,254	41,942
<b>Total Income</b>	<b>201,633</b>	<b>209,138</b>	<b>214,055</b>	<b>227,595</b>
Employee Expenses	17,340	18,990	19,533	21,413
Other expenses	28,777	31,087	29,211	32,362
Operating Expenses	46,117	50,077	48,744	53,776
<b>Operating Profit</b>	<b>61,464</b>	<b>62,334</b>	<b>62,885</b>	<b>68,741</b>
YoY growth (%)	21.5	(17.0)	8.3	30.9
Core Operating Profits	56,674	60,774	61,095	65,331
NPA Provision	-	-	-	-
Others Provisions	42,442	54,514	34,957	25,069
Total Provisions	42,442	54,514	34,957	25,069
<b>Profit Before Tax</b>	<b>19,023</b>	<b>7,820</b>	<b>27,927</b>	<b>43,672</b>
Tax	2,974	(1,871)	8,847	37,123
<b>PAT</b>	<b>16,049</b>	<b>9,691</b>	<b>19,080</b>	<b>6,550</b>
YoY growth (%)	(2.7)	(5.0)	(1,696.0)	(27.9)
<b>Deposits</b>	<b>6,067,547</b>	<b>6,529,197</b>	<b>6,607,318</b>	<b>6,962,730</b>
YoY growth (%)	17.3	16.4	20.8	24.6
<b>Advances</b>	<b>5,643,078</b>	<b>5,866,466</b>	<b>5,924,154</b>	<b>6,133,587</b>
YoY growth (%)	11.7	14.5	14.7	12.6

**Key Ratios**

Y/e Mar	FY19	FY20E	FY21E	FY22E
CMP (Rs)	469	469	469	469
EPS (Rs)	4.6	13.5	26.3	33.1
Book Value (Rs)	163	174	198	227
Adj. BV (70%)(Rs)	133	148	172	202
P/E (x)	102.4	34.8	17.8	14.2
P/BV (x)	2.9	2.7	2.4	2.1
P/ABV (x)	3.5	3.2	2.7	2.3
DPS (Rs)	1.5	2.0	2.6	3.0
Dividend Payout Ratio (%)	32.7	14.9	9.9	9.1
Dividend Yield (%)	0.3	0.4	0.6	0.6

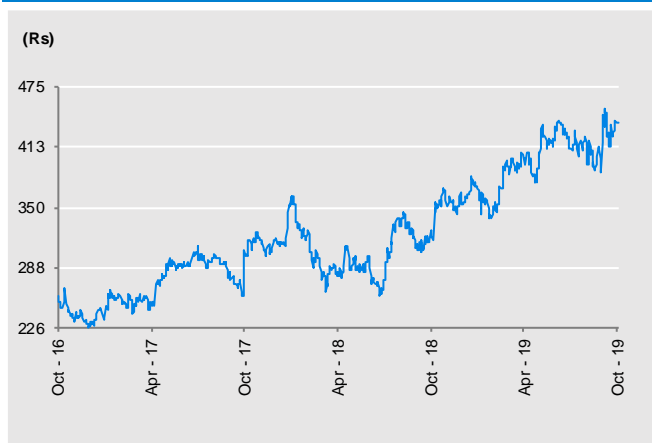
**Efficiency**

Y/e Mar	FY19	FY20E	FY21E	FY22E
Cost-Income Ratio (%)	43.6	43.9	42.7	41.9
C-D Ratio (%)	89.8	85.7	83.9	82.1
Business per Emp. (Rs m)	143	165	189	219
Profit per Emp. (Rs lacs)	3	10	19	24
Business per Branch (Rs m)	2,543	2,931	3,362	3,890
Profit per Branch (Rs m)	6	18	34	42

**Du-Pont**

Y/e Mar	FY19	FY20E	FY21E	FY22E
NII	2.93	3.11	3.24	3.32
Total Income	4.50	4.64	4.75	4.78
Operating Expenses	1.96	2.04	2.03	2.00
PPoP	2.54	2.61	2.72	2.78
Total provisions	2.18	1.08	0.77	0.64
RoAA	0.32	0.84	1.44	1.58
RoAE	2.76	7.75	13.78	15.23

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Oct-19	BUY	518	427
2	27-Jul-19	BUY	484	416
3	4-Jul-19	BUY	475	436
4	6-May-19	BUY	475	401
5	5-Apr-19	BUY	427	391
6	30-Jan-19	BUY	427	366
7	7-Jan-19	BUY	415	368

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	800	713
2	Bank of Baroda	BUY	115	91
3	Bank of India	Reduce	58	62
4	Federal Bank	BUY	102	82
5	HDFC	BUY	2,700	2,376
6	HDFC Bank	BUY	1,406	1,229
7	HDFC Life Insurance Company	Hold	604	608
8	ICICI Bank	BUY	518	427
9	ICICI Prudential Life Insurance Company	Accumulate	544	485
10	IDFC First Bank	BUY	44	39
11	IndusInd Bank	BUY	1,640	1,229
12	Jammu & Kashmir Bank	Under Review	-	32
13	Kotak Mahindra Bank	Hold	1,586	1,627
14	Max Financial Services	BUY	695	419
15	Punjab National Bank	Reduce	51	59
16	SBI Life Insurance Company	BUY	991	840
17	South Indian Bank	BUY	18	10
18	State Bank of India	BUY	388	254
19	Union Bank of India	Reduce	44	52
20	YES Bank	Hold	59	43

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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