

Strong Quarter; Beat on most counts

- ICICI bank reported an impressive set of numbers with NII and core PPOP growing by 17% and 20% respectively. Pro forma gross NPAs improved by 46 bps QoQ to 4.96%, led by lower than expected slippages at 3.2% and higher upgrades during Q4. **Slippages were contained at 2.5% for FY21 against 2.45% in FY20.**
- Sequential improvement in NIM by over 15 bps to 3.84% despite taking the impact of compound interest waiver was encouraging. **NIM benefitted from a continued decline in CoF and further reduction in overseas book.**
- The bank made additional COVID related contingency provisions of Rs10bn in 4QFY21 and has not utilized earlier buffers during the quarter. Consequently, **standard provision buffers (ex of general provisions but includes other std provisions) improved to Rs89bn as of Mar-21, or 1.2% of advances against 1% in previous quarter.**
- The bank's Corporate and SME 'BB and below' book declined to 1.8% of loans against 2.6% in the previous quarter, **with limited downgrades at Rs12bn against Rs20bn averaging over the last six quarters.** Restructured portfolio remained low and stood at Rs39bn or 0.5% of loans, with half of it coming from the retail book.
- Growth in domestic advances at 6% QoQ and 18% YoY fares better than peers, well spread across domestic corporate (4% QoQ), retail (7% QoQ), and SME (12% QoQ). **Growth trends in both SME (33% YoY) and business banking (41% YoY) books remained very strong** led by the bank's low market share, empowerment of branches, and decongestion of SME underwriting.
- Sharpened focus towards ecosystem banking and strengthening balance sheet with declining share of overseas loans & reduced asset quality risks have aided core profitability metrics.** RoA at 1.5% for Q4FY21 despite nil treasury gains, no utilization of earlier contingency buffers, and after making Rs10bn of additional provision buffers alludes that return ratios are looking up.
- Upward revision in PAT by 12%/4% for FY22E/23E is mainly driven by better NIM and lower credit costs. **We maintain our BUY recommendation on the stock with a SOTP-based TP of Rs700 (from Rs640 earlier), valuing the standalone bank at 2.2x Mar-23E book, which including the value of subsidiaries implies 2.7x P/ABV.**

Q4FY21 Result (Rs Mn)

| Particulars | Q4FY21 | Q4FY20 | YoY (%) | Q3FY21 | QoQ (%) |
|-----------------------|---------|---------|---------|---------|---------|
| Net interest income | 104,311 | 89,269 | 16.9 | 99,125 | 5.2 |
| Other income | 41,113 | 42,550 | (3.4) | 46,863 | (12.3) |
| Total Net Income | 145,425 | 131,819 | 10.3 | 145,987 | (0.4) |
| Operating expenses | 60,027 | 57,918 | 3.6 | 57,790 | 3.9 |
| Pre-provision profits | 85,398 | 73,901 | 15.6 | 88,198 | (3.2) |
| Provisions | 28,835 | 59,674 | (51.7) | 27,417 | 5.2 |
| Tax expense | 12,538 | 2,013 | 522.9 | 11,385 | 10.1 |
| Reported Net Profit | 44,026 | 12,214 | 260.5 | 49,396 | (10.9) |
| | | | (bps) | | (bps) |
| Advances Growth (%) | 13.7 | 10.0 | 371 | 10.0 | 374 |
| NIM (%) | 3.9 | 4.1 | (20) | 3.8 | 16 |
| RoA (%) | 1.5 | 0.5 | 104 | 1.7 | (21) |
| RoE (%) | 13.3 | 4.4 | 893 | 15.2 | (190) |
| Gross NPA (%) | 5.0 | 5.5 | (57) | 4.4 | 58 |

| | |
|-----------------|--------------|
| CMP | Rs 570 |
| Target / Upside | Rs 700 / 23% |
| NIFTY | 14,341 |

Scrip Details

| | |
|------------------|--------------------|
| Equity / FV | Rs 13,834mn / Rs 2 |
| Market Cap | Rs 3,942bn |
| | USD 53bn |
| 52-week High/Low | Rs 679/ 286 |
| Avg. Volume (no) | 26,416,700 |
| Bloom Code | ICICIBC IN |

| Price Performance | 1M | 3M | 12M |
|-------------------|----|----|-----|
| Absolute (%) | 0 | 6 | 70 |
| Rel to NIFTY (%) | 1 | 7 | 18 |

Shareholding Pattern

| | Sep'20 | Dec'20 | Mar'21 |
|-----------------|--------|--------|--------|
| Promoters | 0.0 | 0.0 | 0.0 |
| MF/Banks/FIs | 43.7 | 31.5 | 42.1 |
| FIIIs | 43.0 | 45.7 | 47.8 |
| Public / Others | 13.4 | 22.9 | 10.1 |

Valuation (x)

| | FY21A | FY22E | FY23E |
|-------|-------|-------|-------|
| P/E | 24.3 | 18.4 | 16.1 |
| P/ABV | 2.9 | 2.5 | 2.2 |
| ROAA | 1.4 | 1.7 | 1.7 |
| ROAE | 12.3 | 13.6 | 13.7 |

Estimates (Rs mn)

| | FY21A | FY22E | FY23E |
|--------|---------|---------|---------|
| NII | 389,894 | 442,288 | 491,641 |
| PPOP | 363,971 | 372,149 | 413,228 |
| PAT | 161,927 | 213,698 | 245,056 |
| Adj BV | 195.5 | 224.0 | 258.9 |

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Other Important Highlights:

- 80% of corporate and SME restructuring was already part of 'BB and below' book. The bank holds 18% against its restructured book.
- Bank's fully owned housing subsidiary, ICICI Home finance, witnessed a continued rise in GNPA ratio to 9.39% vs 7.45% in the previous quarter driven by affordable housing segment, builder loans.
- Management highlighted the retail borrower behavior had seen some deterioration with the second wave, but it is still early to estimate the extent of impact.

Risks to our View: High than anticipated impact of second wave of COVID on asset quality, lower than expected growth metrics.

Exhibit 1: Actual v/s estimates

| (Rs mn) | Actual | Estimated | % Variance |
|------------------|---------|-----------|------------|
| NII | 104,311 | 104,166 | 0.1 |
| Operating Profit | 85,398 | 82,089 | 4.0 |
| PAT | 44,026 | 43,301 | 1.7 |

Source: Company, DART

Exhibit 2: Change in Estimates

| Particulars (Rs mn) | Previous | | Revised | | Change % | |
|-----------------------|----------|---------|---------|---------|----------|-------|
| | FY22E | FY23E | FY22E | FY23E | FY22E | FY23E |
| Net Oper. Revenues | 593,226 | 670,394 | 613,359 | 687,949 | 3.4 | 2.6 |
| Pre Provision Profits | 348,761 | 391,935 | 372,149 | 413,228 | 6.7 | 5.4 |
| PAT | 191,043 | 236,042 | 213,698 | 245,056 | 11.9 | 3.8 |

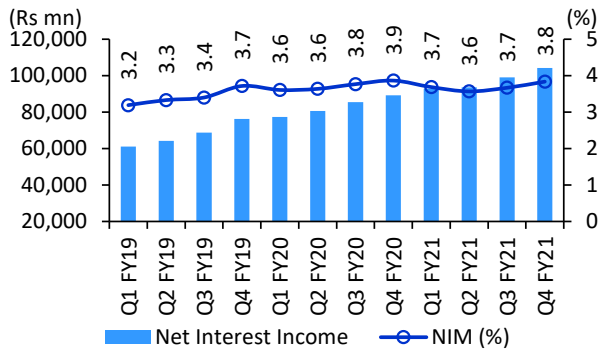
Source: Company, DART

Exhibit 3: SOTP Valuation

| Entity | Stake | Per Share Value | Methodology |
|-----------------------------------|-------|-----------------|----------------------|
| ICICI Standalone (A) | | 541 | 2.2x FY22E ABV |
| Foreign Banking Subsidiaries | | 11 | 1x Net Worth |
| ICICI Home Finance | 100% | 2 | 1x Net Worth |
| ICICI Prudential Life Insurance | 51% | 61 | 2.2x EV |
| ICICI Lombard General Insurance | 52% | 50 | 33x Earnings |
| ICICI AMC | 51% | 42 | 10% of AUM |
| ICICI Securities | 77% | 16 | 25x Earnings |
| Value of Subsidiaries (B) | | 185 | |
| Holdco. Discount | 15% | | |
| Value of the bank (A+B) | | 700 | (rounded off) |
| Contribution of subs to total (%) | | 23% | |

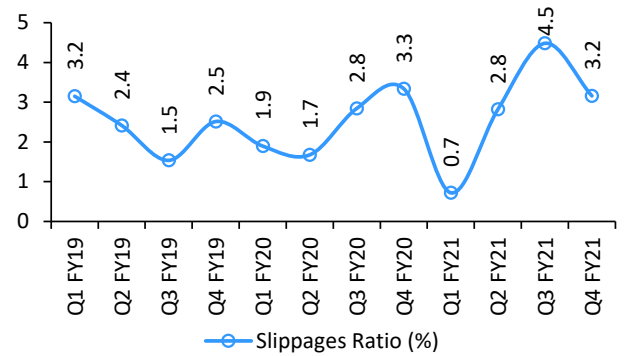
Source: Company, DART

Exhibit 4: NIM continues to benefit from lower CoF and declining share of overseas book



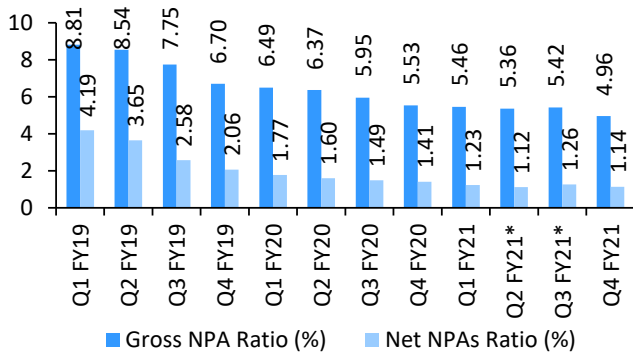
Source: Company, DART

Exhibit 5: Slippages surprise positively



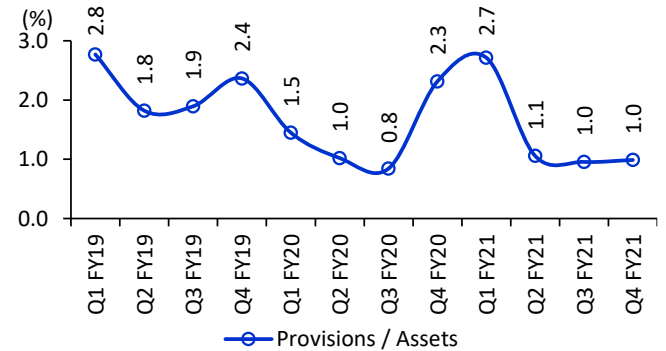
Source: Company, DART

Exhibit 6: Sharp improvement in asset quality



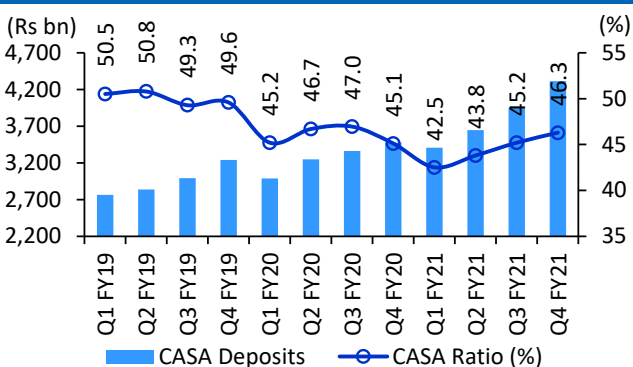
Source: Company, DART; *pro forma basis

Exhibit 7: Non utilization on previous contingency buffers and addition prov towards COVID keeps provisions elevated



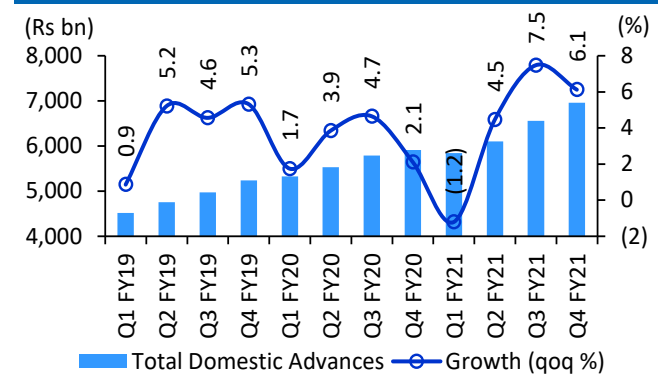
Source: Company, DART

Exhibit 8: Sustained CASA momentum; resulting in industry best CoF



Source: Company, DART

Exhibit 9: Healthy domestic growth across SME, retail and corporate portfolio



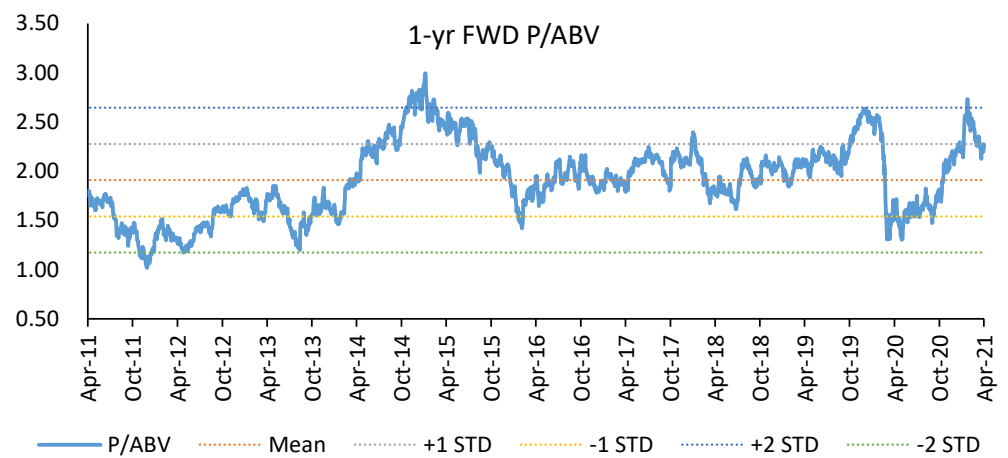
Source: Company, DART

Exhibit 10: Exposure to Stressed Sectors

| Particulars | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | QoQ % / bps | YoY % / bps |
|---------------|--------|--------|--------|--------|--------|--------|-------------|-------------|
| NBFCs | 268 | 273 | 301 | 363 | 422 | 486 | 15.2 | 78.1 |
| as % of loans | 4.2 | 4.2 | 4.8 | 5.6 | 6.0 | 6.6 | 59 | 240 |
| HFCs | 140 | 124 | 141 | 138 | 154 | 159 | 3.1 | 27.4 |
| as % of loans | 2.2 | 1.9 | 2.2 | 2.1 | 2.2 | 2.2 | (4) | 23 |
| Builder Loans | 231 | 223 | 218 | 232 | 226 | 227 | 0.5 | 1.6 |
| as % of loans | 3.6 | 3.5 | 3.5 | 3.6 | 3.2 | 3.1 | (14) | (37) |
| Power | 322 | 380 | 354 | 335 | 340 | 357 | 4.9 | (6.2) |
| as % of loans | 5.1 | 5.9 | 5.6 | 5.1 | 4.9 | 4.9 | (0) | (103) |

Source: DART, Company

Exhibit 11: The stock currently trades at 2.2x 1-year forward P/ABV



Source: DART, Company

Quarterly Financials

| Profit and Loss (Rs mn) | Q4 FY21 | Q4 FY20 | % yoy / bps | Q2 FY21 | % qoq / bps | FY21 | FY20 | % yoy / bps |
|---|----------------|----------------|---------------|----------------|---------------|----------------|----------------|--------------|
| Interest Income | 198,417 | 191,887 | 3.4 | 197,298 | 0.6 | 791,183 | 747,983 | 5.8 |
| Yield on Advances (%) | 8.45 | 9.41 | (96) | 8.44 | 1 | 8.76 | 9.45 | (69) |
| Yield on Assets (%) | 7.31 | 8.32 | (101) | 7.30 | 1 | 7.49 | 8.38 | (89) |
| Interest Expenses | 94,105 | 102,618 | (8.3) | 98,173 | (4.1) | 401,288 | 415,313 | (3.4) |
| Cost of Dep. (%) | 3.80 | 4.78 | (98) | 3.97 | (17) | 4.12 | 4.96 | (84) |
| Cost of Fund (%) | 3.95 | 4.92 | (97) | 4.11 | (16) | 4.25 | 5.09 | (84) |
| Net Interest Income | 104,311 | 89,269 | 16.9 | 99,125 | 5.2 | 389,894 | 332,671 | 17.2 |
| NII to Net Operative Income | 71.7 | 67.7 | 401 | 67.9 | 383 | 67.3 | 66.9 | 36 |
| NIM (%) | 3.84 | 3.87 | (3) | 3.67 | 17 | 3.69 | 3.73 | (4) |
| Dom. NIM (%) | 3.94 | 4.14 | (20) | 3.78 | 16 | 3.84 | 4.01 | (17) |
| Int. NIM (%) | 0.44 | 0.28 | 16 | 0.34 | 10 | 0.34 | 0.35 | (1) |
| Fee income | 38,150 | 35,980 | 6.0 | 36,010 | 5.94 | 126,590 | 137,110 | (7.7) |
| Profit on Sale / Rev of Investments | (250) | 2,420 | (110.3) | 7,660 | (103.3) | 50,460 | 12,930 | 290.3 |
| Other Income - Total | 41,113 | 42,550 | (3.4) | 46,863 | (12.3) | 189,685 | 164,485 | 15.3 |
| Other Inc to Net Oper. Income (%) | 28.3 | 32.3 | (401) | 32.1 | (383) | 32.7 | 33.1 | (36) |
| Net Operating Revenue | 145,425 | 131,819 | 10.3 | 145,987 | (0.4) | 579,580 | 497,156 | 16.6 |
| Employee Expenses | 20,084 | 22,345 | (10.1) | 19,499 | 3.0 | 80,918 | 82,712 | (2.2) |
| Empl. Cost/Oper. Exps. (%) | 13.8 | 17.0 | (314) | 13.4 | 45 | 14.0 | 16.6 | (268) |
| Other Opex | 39,942 | 35,573 | 12.3 | 38,290 | 4.3 | 134,691 | 133,432 | 0.9 |
| Total Opex | 60,027 | 57,918 | 3.6 | 57,790 | 3.9 | 215,608 | 216,144 | (0.2) |
| Cost to Income Ratio (%) | 41.3 | 43.9 | (266) | 39.6 | 169 | 37.2 | 43.5 | (628) |
| Pre Provision Profits | 85,398 | 73,901 | 15.6 | 88,198 | (3.2) | 363,971 | 281,012 | 29.5 |
| Provisions & Contingencies - Total | 28,835 | 59,674 | (51.7) | 27,417 | 5.2 | 162,144 | 140,532 | 15.4 |
| NPA Provisions as % PPP | 33.8 | 80.7 | (4,698) | 31.1 | 268 | 44.5 | 50.0 | (546) |
| Profit Before Tax | 56,564 | 14,227 | 297.6 | 60,780 | (6.9) | 201,827 | 140,479 | 43.7 |
| Tax | 12,538 | 2,013 | 522.9 | 11,385 | 10.1 | 36,610 | 86,840 | (57.8) |
| Effective Tax Rate (%) | 22.2 | 14.1 | 802 | 18.7 | 343.5 | 18.1 | 61.8 | (4,368) |
| Reported Profits | 44,026 | 12,214 | 260.5 | 49,396 | (10.9) | 165,217 | 53,639 | 208.0 |
| RoA (%) | 1.51 | 0.49 | 102 | 1.70 | (19.0) | 1.14 | 1.41 | (27) |
| Basic EPS | 6.37 | 1.89 | 237.0 | 7.16 | (11.0) | 24.01 | 12.28 | 95.5 |

| Balance Sheet Analysis | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | QoQ % / bps | YoY % / bps |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|-------------|-------------|
| Net Worth | 1,165,009 | 1,186,160 | 1,376,489 | 1,427,653 | 1,475,061 | 3.3 | 26.6 |
| CET1 (%) | 13.4 | 13.3 | 15.7 | 15.3 | 16.8 | 148 | 341 |
| Tier 1 (%) | 14.7 | 14.6 | 17.0 | 16.7 | 18.1 | 141 | 334 |
| Total CAR (%) | 16.1 | 16.0 | 18.5 | 18.0 | 19.1 | 108 | 301 |
| RWA - Total | 7,594,900 | 7,635,830 | 7,428,650 | 7,599,830 | 7,845,030 | 3.2 | 3.3 |
| Advances - Total | 6,452,900 | 6,312,146 | 6,526,080 | 6,990,175 | 7,337,291 | 5.0 | 13.7 |
| Investments | 2,495,315 | 3,018,511 | 2,896,230 | 2,752,606 | 2,812,865 | 2.2 | 12.7 |
| Total Assets | 10,983,652 | 11,386,127 | 11,629,712 | 11,932,172 | 12,304,327 | 3.1 | 12.0 |
| RoA (%) | 0.49 | 0.95 | 1.50 | 1.70 | 1.51 | (19) | 102 |
| Deposits | 7,709,690 | 8,016,223 | 8,329,356 | 8,743,476 | 9,325,222 | 6.7 | 21.0 |
| Saving Deposit | 2,455,910 | 2,448,360 | 2,570,630 | 2,786,740 | 2,954,530 | 6.0 | 20.3 |
| Current Deposit | 1,022,270 | 957,800 | 1,075,170 | 1,167,410 | 1,361,700 | 16.6 | 33.2 |
| CASA Deposits | 3,478,180 | 3,406,153 | 3,645,800 | 3,954,160 | 4,316,230 | 9.2 | 24.1 |
| Average CASA Ratio (%) | 45.1 | 42.5 | 43.8 | 45.2 | 46.3 | 110 | 119 |
| Term Deposits | 4,231,510 | 4,610,070 | 4,683,556 | 4,789,316 | 5,008,992 | 4.6 | 18.4 |

| Asset Quality (Rs mn) | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | QoQ % / bps | YoY % / bps |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| Gross Advances | 7,488,094 | 7,396,747 | 7,541,412 | 7,959,002 | 8,341,415 | 4.8 | 11.4 |
| Gross NPA | 414,092 | 403,862 | 389,891 | 348,604 | 413,734 | 18.7 | (0.1) |
| Gross NPA Ratio (%) | 5.53 | 5.46 | 5.17 | 4.38 | 4.96 | 58 | (57) |
| PCR - Calculated (%) | 75.6 | 78.5 | 81.6 | 86.1 | 77.8 | (825) | 224 |
| Net Advances | 7,172,950 | 7,052,561 | 7,187,510 | 7,715,159 | 8,052,807 | 4.4 | 12.3 |
| Net NPA | 101,139 | 86,747 | 71,875 | 48,606 | 91,802 | 88.9 | (9.2) |
| Net NPAs Ratio (%) | 1.41 | 1.23 | 1.00 | 0.63 | 1.14 | 51 | (27) |

| Loan Book Analysis (Rs mn) | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | QoQ % / bps | YoY % / bps |
|----------------------------|------------------|------------------|------------------|------------------|------------------|-------------|-------------|
| Home | 2,002,240 | 2,011,110 | 2,117,340 | 2,257,570 | 2,436,540 | 7.9 | 21.7 |
| Rural & Other | 568,500 | 571,770 | 616,260 | 673,780 | 721,580 | 7.1 | 26.9 |
| Business Banking | 265,630 | 258,720 | 311,480 | 349,960 | 373,270 | 6.7 | 40.5 |
| Personal Loans | 452,880 | 439,800 | 444,910 | 463,930 | 493,450 | 6.4 | 9.0 |
| Vehicle Loans | 583,310 | 575,320 | 597,870 | 624,490 | 641,540 | 2.7 | 10.0 |
| Credit Cards | 156,540 | 147,290 | 155,110 | 172,630 | 173,110 | 0.3 | 10.6 |
| Others | 50,930 | 41,750 | 52,840 | 45,430 | 52,710 | 16.0 | 3.5 |
| Retail Loans | 4,080,030 | 4,045,760 | 4,295,810 | 4,587,780 | 4,892,200 | 6.6 | 19.9 |
| SME | 228,510 | 208,570 | 233,410 | 270,930 | 302,840 | 11.8 | 32.5 |
| Domestic corporate | 1,604,700 | 1,587,540 | 1,573,570 | 1,700,840 | 1,766,350 | 3.9 | 10.1 |
| Overseas | 536,970 | 470,270 | 423,290 | 430,610 | 375,900 | (12.7) | (30.0) |
| Advances – Total | 6,452,900 | 6,312,146 | 6,526,080 | 6,990,175 | 7,337,291 | 5.0 | 13.7 |

Conference Call Highlights

Asset Quality:

- Protecting the balance sheet from further risk by improving coverage ratios and active recognition of potential NPAs.
- Non-fund based O/S to borrowers classified as NPA stood at ~Rs 44.05bn on which the bank holds Rs 14.92bn of provisions.
- Restructured loans stood at Rs 39.27bn ~0.5% of total fund based exposures of which Rs 20.12bn was from retail portfolio (provisions of Rs 7.16bn).
- The percentage of performing retail EMI products on credit cards which were overdue on March-31st was ~1.5%/4% higher than the levels as at Dec/Sept end. For the corporate portfolio, the same stood at pre-COVID levels (since Sept-20). However, rural portfolio was ~2.5% higher vs pre-covid levels.
- On the Rs 44.05bn non fund based NPAs the bank holds provisions of Rs 14.92bn.
- Of the corporate slippages, Rs 10.67bn was from those rated BB and below and include an account from the construction sector which was subsequently upgraded during the quarter.
- During the quarter, the bank utilized Rs 35.09bn of COVID contingency provisions made during the previous quarter and made additional provisions of Rs 10bn (~15bps of credit cost). It currently holds Rs 74.75bn of o/s COVID related provisions.
- ~13% of the portfolio is rated BB and below including NPAs. Rating mix has improved significantly towards AA and above rated exposures since FY17.
- Credit costs for FY22 will be dependent on COVID situation. Bank has a strong underwriting process along with higher rated exposures which gives the bank confidence on its asset quality

Retail portfolio:

- Mortgage disbursements continued to improve driven by digital channels, while CV/CE disbursement also improved during the quarter.
- Business banking segment growth was also aided by enhanced distribution and digital offerings like instaBiz and TradeOnline.
- CC spends improved significantly driven by electronics, wellness and jewellery. Total Amazon Pay credit cards stood at ~1.6mn.
- New digital offerings like iMobile Pay have seen good traction across internal customers as well as non-ICICI bank customers (~1.5mn activations)
- Retail portfolio growth strategy includes utilizing the existing customer database to source key retail asset products via cross-selling/up-selling. Sourcing has been significant strengthened towards stronger profiles and bank remains cautious on sectors affected by the pandemic.
- Retail portfolio has grown significantly, which could lead to higher retail slippages as the book seasons.
- High retail growth was captured by increased focus on digital acquisitions and offerings.
- The non-mortgage business has witnessed faster credit delivery and better and stronger underwriting processes due to the digital initiatives like ICICI stacks. The bank's internal stress tests indicate good resilience of the portfolio.

- On the mortgage side the bank was underpenetrated in its own customer base and has thus pushed digital acquisitions in the segment. All digital products have significantly aided the bank in gaining market share in the retail business.
- Retail collections are expected to be impacted by the 2nd wave of COVID, however the bank will observe the early trends and remains confident of portfolio performance.
- No of O/S debit cards declined due to cancellation of inactive cards. The bank expects UPI to take over a part of the share of debit cards in the payments space in due time. However, impact of such cannibalization on credit cards and other instruments is expected to be minimal.
- The bank is utilizing the dynamic behaviour and spends velocity data garnered from various payments services/channels to build better customer profiles. The bank's Easypay service is aiding the same in the merchant payments space.

Corporate Portfolio:

- Corporate growth was driven by higher rated corporates and PSUs, primarily for working capital loans
- International book has reduced 21% QoQ
- The bank aims to provide 360 degree digital ecosystem for customers. The strategy also includes working on both internal platforms as well as third party B2B and B2M platforms in the UPI payments ecosystems.
- Corporate performing book growth was driven by disbursements to higher rated corporates and PSUs. Restructured book at <1% indicates the resilience of the book to COVID related disruptions.
- The bank takes a risk calibrated operating profit and RoCE based approach for driving profitability on the corporate portfolio. The bank has changed focus to fee based income, transaction income, bond placements, and other corporate solutions apart from NII.
- The bank is now also targeting service providers (especially in the financial sector) along with its existing manufacturer customer base to enhance its corporate portfolio quality.

Other highlights:

- Aim to achieve risk calibrated approach towards core operating profit.
- Rs 1.75bn of interest on interest waiver included in the interest income line. Total impact of interest reversals was ~4bps.
- Quarterly deposit growth continues to be robust with high growth in average CA and SA at 33.9% and 21.2% YoY respectively. LCR for the quarter stood at 138%.
- Focused on tapping into various ecosystems like payments, merchants and corporates. Digital offerings and decongestion of process further helped in improving deposit base.
- The bank disbursed Rs 127bn under ECLGS 1.0 and Rs 15bn under ECLGS 2.0
- Employee expenses reduced by 10% YoY due to falling yields and lower provisions on the employee benefits portfolio.
- International book continues to be skewed towards companies with Indian ties while 8% of the portfolio (or <1% of total loans) is towards foreign entities.
- Employee count stood at 98750
- HFC arm is focused on affordable housing. Few legacy NPAs exist which the NBFC is looking to unwind.

Profit and Loss Account (Rs Mn)

| Particulars | FY20A | FY21A | FY22E | FY23E |
|--------------------------------|----------------|----------------|----------------|----------------|
| Interest Income | 747,983 | 791,183 | 874,609 | 991,627 |
| Interest expenses | 415,313 | 401,288 | 432,321 | 499,986 |
| Net interest income | 332,671 | 389,894 | 442,288 | 491,641 |
| Other incomes | 164,485 | 189,685 | 171,071 | 196,308 |
| Total expenses | 216,144 | 215,608 | 241,210 | 274,721 |
| - Employee cost | 82,712 | 80,918 | 89,010 | 99,691 |
| - Other | 133,432 | 134,691 | 152,200 | 175,030 |
| Pre provisioning profit | 281,012 | 363,971 | 372,149 | 413,228 |
| Provisions | 140,532 | 162,144 | 90,968 | 90,786 |
| Profit before taxes | 140,479 | 201,827 | 281,181 | 322,442 |
| Tax provision | 61,171 | 39,900 | 67,483 | 77,386 |
| Profit after tax | 79,308 | 161,927 | 213,698 | 245,056 |
| Adjusted profit | 79,308 | 161,927 | 213,698 | 245,056 |

Balance Sheet (Rs Mn)

| Particulars | FY20A | FY21A | FY22E | FY23E |
|--|-------------------|-------------------|-------------------|-------------------|
| Sources of Funds | | | | |
| Equity Capital | 12,948 | 13,834 | 13,834 | 13,834 |
| Reserves & Surplus | 1,152,097 | 1,461,258 | 1,662,741 | 1,890,918 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Net worth | 1,165,044 | 1,475,092 | 1,676,575 | 1,904,752 |
| Borrowings | 1,628,968 | 916,310 | 790,990 | 892,990 |
| - Deposits | 7,709,690 | 9,325,222 | 10,508,861 | 11,864,007 |
| - Other interest bearing liabilities | 0 | 0 | 0 | 0 |
| Current liabilities & provisions | 479,950 | 587,704 | 414,392 | 489,395 |
| Total Liabilities | 10,983,652 | 12,304,327 | 13,390,818 | 15,151,143 |
| Application of Funds | | | | |
| Cash and balances with RBI | 1,191,557 | 1,331,283 | 1,182,419 | 1,161,132 |
| Investments | 2,495,315 | 2,812,865 | 2,749,872 | 2,943,295 |
| Advances | 6,452,900 | 7,337,291 | 8,511,257 | 9,958,171 |
| Fixed assets | 84,103 | 88,776 | 95,700 | 100,723 |
| Other current assets, loans and advances | 759,777 | 734,112 | 851,570 | 987,821 |
| Total Assets | 10,983,652 | 12,304,327 | 13,390,818 | 15,151,143 |

E – Estimates

Important Ratios

| Particulars | FY20A | FY21A | FY22E | FY23E |
|---|-----------|-----------|-----------|-----------|
| (A) Margins (%) | | | | |
| Yield on advances | 9.3 | 8.3 | 8.4 | 8.4 |
| Yields on interest earning assets | 7.9 | 7.3 | 7.3 | 7.5 |
| Yield on investments | 6.4 | 6.2 | 6.3 | 6.4 |
| Costs of funds | 4.7 | 4.1 | 4.0 | 4.2 |
| Cost of deposits | 4.6 | 3.7 | 3.8 | 4.0 |
| NIMs | 3.5 | 3.6 | 3.7 | 3.7 |
| (B) Asset quality and capital ratios (%) | | | | |
| GNPA | 5.5 | 5.0 | 4.0 | 3.0 |
| NNPA | 1.4 | 1.1 | 1.1 | 0.8 |
| PCR | 75.6 | 77.0 | 77.0 | 79.0 |
| Slippages | 2.4 | 2.5 | 2.3 | 2.0 |
| NNPA to NW | 8.9 | 6.4 | 5.6 | 4.1 |
| CASA | 45.5 | 46.7 | 46.0 | 46.0 |
| CAR | 16.1 | 19.3 | 18.1 | 18.0 |
| Tier 1 | 14.7 | 18.1 | 17.1 | 17.2 |
| Credit - Deposit | 83.7 | 78.7 | 81.0 | 83.9 |
| (C) Dupont as a percentage of average assets | | | | |
| Interest income | 7.3 | 6.8 | 6.8 | 6.9 |
| Interest expenses | 4.0 | 3.4 | 3.4 | 3.5 |
| Net interest income | 3.2 | 3.3 | 3.4 | 3.4 |
| Non interest Income | 1.6 | 1.6 | 1.3 | 1.4 |
| Total expenses | 2.1 | 1.9 | 1.9 | 1.9 |
| - cost to income | 43.5 | 37.2 | 39.3 | 39.9 |
| Provisions | 1.4 | 1.4 | 0.7 | 0.6 |
| Tax | 0.6 | 0.3 | 0.5 | 0.5 |
| RoA | 0.8 | 1.4 | 1.7 | 1.7 |
| Leverage | 9.7 | 8.5 | 8.2 | 8.1 |
| RoE | 7.2 | 12.3 | 13.6 | 13.7 |
| RoRwa | 1.0 | 2.1 | 2.4 | 2.5 |
| (D) Measures of Investments | | | | |
| EPS - adjusted | 12.3 | 23.4 | 30.9 | 35.4 |
| BV | 175.1 | 208.8 | 237.3 | 270.0 |
| ABV | 159.5 | 195.5 | 224.0 | 258.9 |
| DPS | 2.0 | 2.0 | 2.3 | 2.3 |
| Dividend payout ratio | 0.0 | 0.0 | 0.0 | 0.0 |
| (E) Growth Ratios (%) | | | | |
| Net interest income | 23.1 | 17.2 | 13.4 | 11.2 |
| PPoP | 25.9 | 29.5 | 2.2 | 11.0 |
| Adj PAT | 251.9 | 104.2 | 32.0 | 14.7 |
| Advances | 10.0 | 13.7 | 16.0 | 17.0 |
| Total borrowings | (1.5) | (43.7) | (13.7) | 12.9 |
| Total assets | 13.9 | 12.0 | 8.8 | 13.1 |
| (F) Valuation Ratios | | | | |
| Market Cap (Rs. mn) | 3,942,373 | 3,942,373 | 3,942,373 | 3,942,373 |
| CMP (Rs.) | 570 | 570 | 570 | 570 |
| P/E (x) | 46.5 | 24.3 | 18.4 | 16.1 |
| P/BV (x) | 3.3 | 2.7 | 2.4 | 2.1 |
| P/ABV (x) | 3.6 | 2.9 | 2.5 | 2.2 |
| Div Yield (%) | 0.4 | 0.4 | 0.4 | 0.4 |

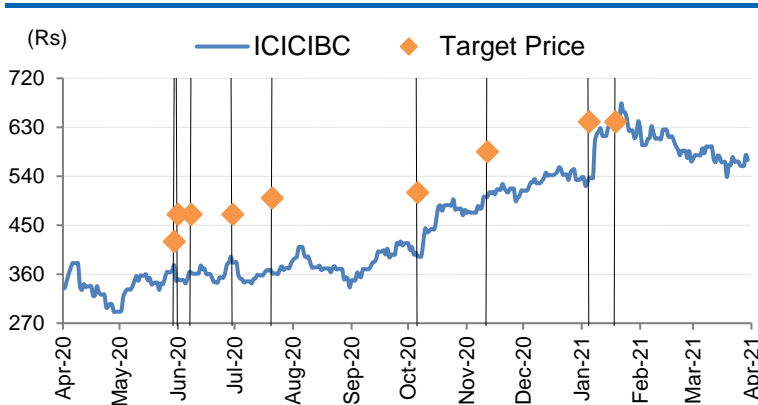
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

| | |
|-------------------|------------------|
| Buy | > 20% |
| Accumulate | 10 to 20% |
| Reduce | 0 to 10% |
| Sell | < 0% |

Rating and Target Price History



| Month | Rating | TP (Rs.) | Price (Rs.) |
|--------|--------|----------|-------------|
| Jun-20 | BUY | 420 | 376 |
| Jun-20 | BUY | 470 | 351 |
| Jul-20 | Buy | 470 | 363 |
| Jul-20 | BUY | 470 | 382 |
| Aug-20 | Buy | 500 | 361 |
| Oct-20 | BUY | 510 | 393 |
| Dec-20 | Buy | 585 | 502 |
| Jan-21 | Buy | 640 | 537 |
| Feb-21 | Buy | 640 | 648 |

*Price as on recommendation date

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