ICICI Bank (ICICIBC IN)

Rating: BUY | CMP: Rs537 | TP: Rs630

All round strong performance

January 31, 2021

Q3FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	630		614	
NII (Rs. m)	4,51,701	5,26,018	4,39,904	5,11,684
% Chng.	*2.7*	*2.8*		
Op. Profit (Rs. m)	4,00,133	4,51,794	3,83,098	4,32,127
% Chng.	*4.4*	*4.6*		
EPS (Rs.)	30.2	36.3	27.0	33.0
% Chng.	*11.6*	*10.0*		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII (Rs bn)	333	389	452	526
Op. Profit (Rs bn)	281	365	400	452
PAT (Rs bn)	79	167	208	251
EPS (Rs.)	12.3	25.0	30.2	36.3
Gr. (%)	*135.0*	*103.9*	*20.6*	*20.4*
DPS (Rs.)	1.0	-	2.6	3.2
Yield (%)	*0.2*	*-*	*0.5*	*0.6*
NIM (%)	*3.5*	*3.5*	*3.6*	*3.6*
RoAE (%)	*7.1*	*12.6*	*13.2*	*14.0*
RoAA (%)	*0.8*	*1.4*	*1.5*	*1.6*
P/BV (x)	3.1	2.5	2.3	2.0
P/ABV (x)	3.6	2.9	2.5	2.2
PE (x)	43.7	21.5	17.8	14.8
CAR (%)	16.1	17.7	18.9	19.7

Key Data	ICBK.BO | ICICIBC IN
52-W High / Low	Rs.561 / Rs.268
Sensex / Nifty	46,286 / 13,635
Market Cap	Rs.3,708bn/ $ 50,823m
Shares Outstanding	6,905m
3M Avg. Daily Value	Rs.27451.02m

Shareholding Pattern (%)

Promoter's	-
Foreign	47.43
Domestic Institution	42.49
Public & Others	10.08
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.6	53.0	2.0
Relative	4.5	25.8	(9.2)

Pritesh Bumb
priteshbumb@plindia.com | 91-22-66322232

Anmol Das
anmoldas@plindia.com |

Quick Pointers:

- Pro-forma slippages at Rs82bn was in line, restructuring of 40bps was lower
- With change in conservative provisioning in early buckets bank utilized Rs18bn from COVID provisions and impact was Rs20bn higher on provisions.

ICICIBC reported a strong earnings of Rs49.4bn (PLe: Rs40.9bn) led by all round performance on core operations and slightly lower provisioning. Asset quality on pro-forma basis was quite steady with controlled slippages, maintained PCR of 77% and restructuring of 40bps of loans. BB & below rated book saw increase from 2.4% to 2.6% although overlap with pro-forma NPA or restructuring kept stress at similar levels. Collection efficiency has improved especially in retail with overdue less than 90dpd was 1% compared to 4% as higher part post morat ending has moved to either restructuring or NPA. Strong provision buffer, improving operating profitability, much better loan growth and strong deposit franchise should help ROE to sustainably improve +15% by FY23 with delta from improving credit cost outlook. We retain BUY with revised TP of Rs630 (from Rs616) based on 2.0x Mar FY23 with tweaks to loan growth/fees & slightly lower slippages.

- **Strong operating performance:** Core PPOP grew by 15% YoY/4% QoQ (beat by 8% to PLe) led by continued growth in NII at 16% YoY/6% QoQ led by much better loan growth at 10% YoY and NIMs improving by 10bps despite interest reversals on NPAs. Fees remained subdued with flattish growth but important on absolute run rate per quarter it is back to pre-COVID levels with improvement in many segments. Opex growth was also broadly steady with increase sequentially in other opex as business volumes & activity moved up.
- **Asset quality very much under control:** Pro-forma GNPA/NNPA were up nominally by 6/14bps QoQ to 5.42%/1.26% respectively with maintained PCR at 77%. Bank made Rs30bn of provisions on pro-forma NPAs and utilized Rs18bn from the earlier provisions held, moving the stock of provisions up nominally at Rs99.8bn (145bps of loans) incl. Rs35bn included pro-forma PCR. Other stress outcomes remained quite under control with pro-forma slippage of Rs82.0bn (1.2% of loans) and should be lower in Q4FY21, while restructured book was 40bps of loans with 77% from corporate & SME (all from BB & below) and 33% from retail. The BB & below book moved up to Rs180bn from Rs161bn but has overlap with pro-forma slippage/restructured, hence the stress is broadly steady at 2.6% (2.4% in Q2).
- **Strong business growth as collection efficiency improving:** With CE improving to 98% much better than pre-COVID and identified stress post morat, management is confident on growing loan book. Loans grew by 10% YoY/7% QoQ with retail 15% YoY/7% QoQ, even the domestic corporate book grew by 6.5% YoY/8% QoQ which has been best in the industry. Most segments in retail saw strong growth both on YoY & QoQ basis as management explained they have much lower market share in most of the retail segments as yet. **On liabilities side**, growth improved to 22% YoY/5% QoQ, led by CASA traction of 17% YoY and higher TDs growth of 26% YoY.

NII grew at 16% YoY supported by lowering of cost of funds and improved growth in retail

Other income grew sequentially with Rs3.29bn from sale of equity shares in subsidiaries

Provisions came down marginally with Covid 19 related contingent provisions of Rs30.12bn and using Rs18bn of previous quarters Covid 19 provisioning

Advances growth led by retail, with sustainable growth coming from Home Loans and Business Banking, while Deposits growth remained strong

Margins had adverse effect of 11bps due to interest reversals

Asset quality on Pro forma basis came better than expected with GNPA / NNPA at 5.42% & 1.26% respectively

CASA mix improves sequentially but strong TD growth limits improvement

Bank's capital ratios at healthy 18% on earlier quarter's fund raising

Exhibit 1: Steady operations & lower Provisioning help boost earnings

P & L (Rs mn)	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	QoQ gr. (%)
Interest income	1,97,298	1,90,643	3.5	1,96,225	0.5
Interest expense	98,173	1,05,190	(6.7)	1,02,564	(4.3)
Net interest income (NII)	**99,125**	**85,453**	**16.0**	**93,661**	**5.8**
- Treasury income	7,660	5,310	44.3	5,420	41.3
Other income	46,863	45,740	2.5	40,283	16.3
Total income	**1,45,987**	**1,31,193**	**11.3**	**1,33,944**	**9.0**
Operating expenses	57,790	55,707	3.7	51,333	12.6
-Staff expenses	19,499	19,421	0.4	19,673	(0.9)
-Other expenses	38,290	36,286	5.5	31,660	20.9
Operating profit	**88,198**	**75,486**	**16.8**	**82,611**	**6.8**
Core operating profit	80,538	70,176	14.8	77,191	4.3
Total provisions	27,417	20,832	31.6	29,953	(8.5)
Profit before tax	**60,780**	**54,654**	**11.2**	**52,658**	**15.4**
Tax	11,385	13,190	(13.7)	10,145	12.2
Profit after tax	**49,396**	**41,465**	**19.1**	**42,513**	**16.2**
Balance Sheet (Rs m)					
Deposits	87,43,476	71,63,451	22.1	83,29,356	5.0
Advances	69,90,175	63,56,543	10.0	65,26,080	7.1
Profitability ratios					
NIM	**3.7**	**3.8**	**(10)**	**3.6**	**10**
RoAA	1.7	1.7	2	1.5	20
RoAE	14.0	14.6	(60)	13.2	80
Asset Quality					
Gross NPA (Rs m)	3,48,604	4,34,539	(19.8)	3,89,892	(10.6)
Net NPA (Rs m)	48,606	1,03,885	(53.2)	71,875	(32.4)
Gross NPL ratio	**4.4**	**6.0**	**(157)**	**5.2**	**(79)**
Net NPL ratio	**0.6**	**1.5**	**(86)**	**1.0**	**(37)**
Coverage ratio (calc.)	86.1	76.1	996	81.6	449
Business & Other Ratios					
CASA mix	45.2	47.0	(180)	43.8	140
CASA mix - Average	41.8	42.8	(100)	40.3	150
Cost-income ratio	39.6	42.5	(288)	38.3	126
Non int. inc / total income	32.1	34.9	(276)	30.1	203
Credit deposit ratio	79.9	88.7	(879)	78.4	160
CAR	18.0	16.5	154	18.5	(43)
Tier-I	16.7	15.0	167	17.0	(37)

Source: Company, PL

Key Q3FY21 Concall Highlights

Business Operations

- Loan disbursements for the Personal and CV loan segment was lower than Pre Covid levels. Credit Card spends achieved Pre Covid levels by Dec 2020 as spending towards hospitality sector and festive demand kicked in.
- Interest Reversals/IT refund had adverse effect on NIMs by 11bps.

Assets/Liabilities

- Disbursements for the corporate segment picked up as domestic higher rated corporates used increased levels of working capital facilities growing it by 8% QoQ. Till date, the bank has disbursed Rs 120bn under the ECLGS scheme 1 and Rs6bn under the ECLGS scheme 2.
- Retail Loans grew by 15% YoY/7% QoQ driving the loan growth. Home Loans grew by 15% YoY, Business Banking grew by 39% YoY and Rural segment by 25%, aiding the overall loan growth.
- Domestic corporate book grew by 10% YoY/8.5% QoQ to highly rated PSUs and large corporate groups. Overseas corporate disbursals declined as during the quarter as per the bank's strategy.
- Deposits grew by 22% YoY driven by term deposits growth of 26% YoY and Savings by 18% YoY. Bank is focusing on increasing the average daily CASA levels in the future.

Asset Quality

- Pro forma GNPA / NNPA stood at 5.42% and 1.26% respectively with slippages of Rs82.8bn (Rs14bn in Sep'20). PCR on the pro-forma NPAs stood at 77% for the quarter versus reported of 87%. Bank had written off Rs27.36bn Gross NPAs and sold Rs0.88bn Gross NPAs during the quarter. Recoveries & Upgrades excluding write offs stood at Rs17.2bn
- **Overdue trends:** Retail EMI products & Credit cards overdue were 1.5% higher than pre-COVID levels v/s 4% higher reported in Sep'20, while rural overdue was higher by 1.5% in Dec'20 v/s 1% in Sep'20. SME/Biz banking overdue for less than 90dpd was similar to pre-COVID in both Sep/Dec. In corporate book overdue less than 90dpd was <2% v/s 3% in Sep'20.
- **Restructuring:** Total fund based o/s under resolution stood at Rs25.46bn or 0.4% of the book, out of which Rs 8.37bn came from the retail portfolio and Rs17.1bn from corporate & SME. Bank holds Rs3.8bn provisions (15% PCR) on these loans. Most of the requests were from BB & below rated book at Rs17bn and bank has invoked resolution for Rs 8.88bn of pro-forma NPA.
- **COVID provisions:** Bank has made contingent provisions of Rs30.1bn during the quarter and utilized Rs18bn of earlier COVID provisions and now keeping the overall net total Covid related provisions at Rs99.84bn (145bps of loans) incl. Rs35.0bn used for pro-forma NPAs.

- **Higher provisions:** Bank made policy change on provisioning by taking conservative approach in earlier buckets, which led to higher Rs21bn of provisions on pool (incl. pro-forma).

- **BB & below rated book:** Bank's BB & below rated book increased to Rs180.6bn (2.6% of loans) v/s 161.7bn (2.4% of loans) in Q2. Rating downgrade led exposure was Rs22.4bn mainly from the construction sector. Restructuring in corporate book were from BB & below book.

Broad based loan growth across segments of the bank

Personal Loans sourcing still lower than Pre Covid Levels; Home loan portfolio saw growth at 14% YoY and Biz Banking 39% YoY.

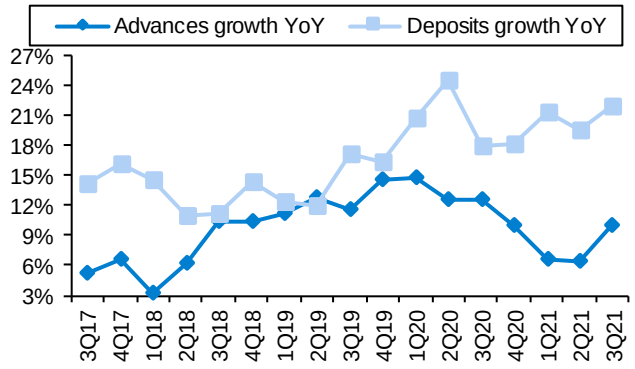
Retail loans continues to be the focus of the bank

Exhibit 2: Loan split and growth trends

Loan Book Details	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	QoQ gr. (%)
Total Loan Book	**69,90,175**	**63,56,543**	***10.0***	**65,26,080**	***7.1***
Domestic Loan book	65,59,565	57,90,673	*13.3*	61,02,790	*7.5*
Retail Loan book	45,87,780	39,76,460	*15.4*	42,95,810	*6.8*
Domestic Corporate book	17,00,840	15,96,770	*6.5*	15,73,570	*8.1*
SME	2,70,930	2,17,440	*24.6*	2,33,410	*16.1*
International Loan book	4,30,610	5,65,870	*(23.9)*	4,23,290	*1.7*
Retail Loan book break-up					
Home Loans	22,57,188	19,63,710	*14.9*	21,17,340	*6.6*
Vehicle loans	6,23,938	5,84,060	*6.8*	5,97,870	*4.4*
Personal Loans & CC	6,37,701	5,83,480	*9.3*	6,00,020	*6.3*
Business Banking	3,48,671	2,51,100	*38.9*	3,11,480	*11.9*
Rural	6,74,404	5,40,660	*24.7*	6,16,260	*9.4*
Composition of Loan Book					
Domestic Loan book	94%	91%	*274*	94%	*33*
Retail Loan book	70%	69%	*127*	70%	*(45)*
Domestic Corporate book	26%	28%	*(165)*	26%	*14*
SME	4%	4%	*38*	4%	*31*
International Loan book	6%	9%	*(274)*	6%	*(33)*
Retail Loan book break-up					
Home Loans	49%	49%	*(18)*	49%	*(9)*
Vehicle loans	14%	15%	*(109)*	14%	*(32)*
Personal Loans & CC	14%	15%	*(77)*	14%	*(7)*
Business Banking	8%	6%	*129*	7%	*35*
Rural	15%	14%	*110*	14%	*35*

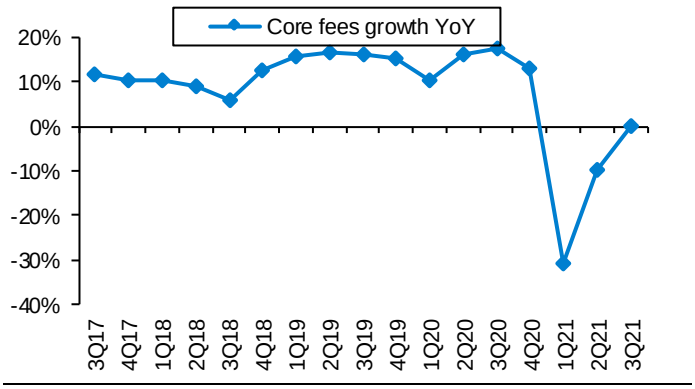
Source: Company, PL

Exhibit 3: Deposit growth strong, Loan growth picked up



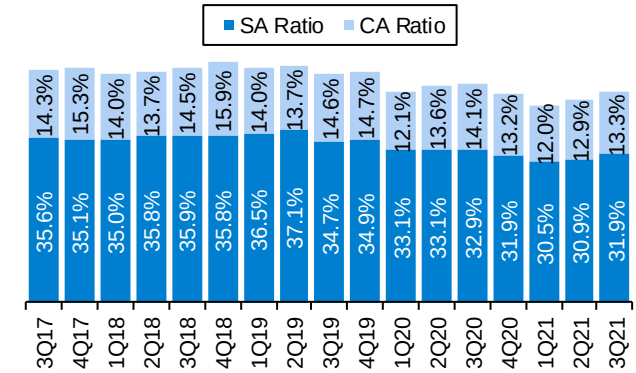
Source: Company, PL

Exhibit 4: Core fees seeing come back



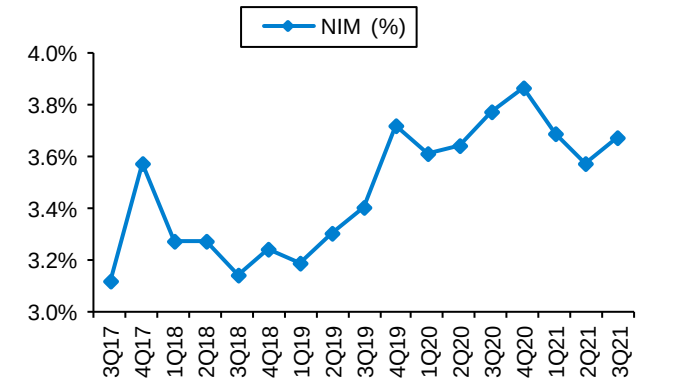
Source: Company, PL

Exhibit 5: CASA saw marginal improvement over last couple of quarters



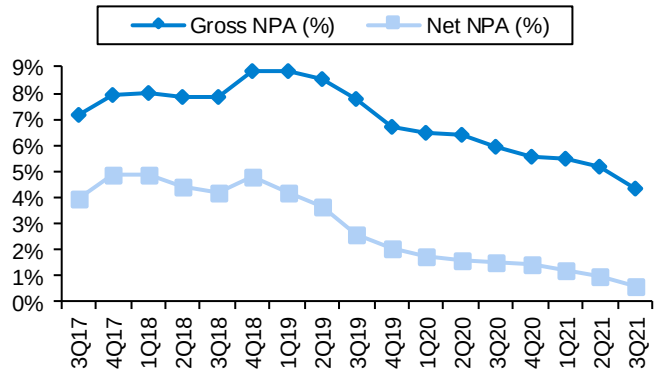
Source: Company, PL

Exhibit 6: NIMs improved sequentially despite interest reversals



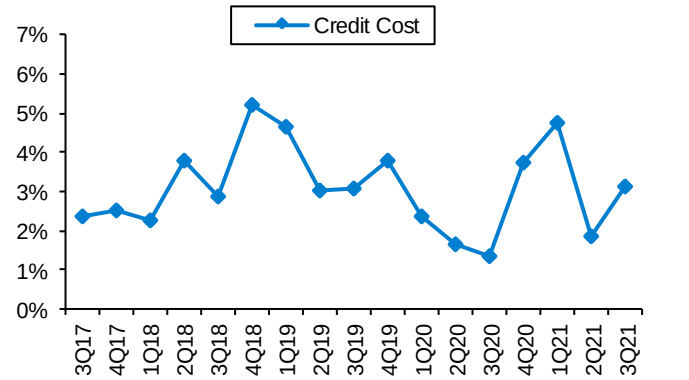
Source: Company, PL

Exhibit 7: NPA Ratios remain low on Apex court ruling



Source: Company, PL

Exhibit 8: Credit cost softened slightly



Source: Company, PL

Exhibit 9: Increase in BB & below rated book as one asset downgraded in construction sector

Particulars (Rs Million)	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Gross Restructured Loans	2,240	1,960	1,800	1,680	2,080	25.460
Non Fund O/s to restructured loans	910	910	910			1,640
Non Fund O/s to non-performing loans	33,710	39,190	50,630	48,290	42,380	44,070
Other loans under RBI scheme not included above	39,290	38,940	15,330	14,600	12,350	12,220
Borrowers with o/s >Rs1.0bn	85,910	98,720	81,310	85,290	83,050	83,010
Borrowers with o/s <Rs1.0bn	38,880	34,160	32,940	35,840	36,410	39,670
Total	**160,740**	**174,030**	**166,680**	**171,100**	**161,670**	**180,610**
Movement in BB & Below Book						
Slippage to NPA	11,590	24,730	17,260	1,710	12,120	2,270
Upgrades to investment grade & O/s reduction	9,800	6,300	12,970	8,600	14,290	1,180
Downgrades from investment grade	20,720	26,660	22,880	14,730	16,980	22,390
BB & Below at end of period	**160,740**	**174,030**	**166,680**	**171,100**	**161,670**	**180,610**
% of Net Advances	*2.6%*	*2.7%*	*2.6%*	*2.7%*	*2.5%*	*2.6%*
GNPA %	***6.4%***	***6.0%***	***6.0%***	***5.5%***	***5.4%***	***5.4%***
NNPA %	***1.6%***	***1.5%***	***1.5%***	***1.2%***	***1.1%***	***1.3%***
Net Stressed Assets %	***4.2%***	***4.4%***	***4.2%***	***4.1%***	***3.6%***	***3.9%***

Source: Company, PL ***Note –*** *GNPA/NNPA for 2Q21 & 3Q21 are pro-forma basis; Part of restructured loans overlap with BB book*

Exhibit 10: Slippages slightly on higher side but from known stress book in corporate; retail is mostly Agri

Asset Quality Break-up	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Fresh Slippages	40,360	31,170	20,910	35,470	27,790	24,820	43,630	53,060	11,600	30,170	4,710
- Retail	11,200	7,600	10,710	8,230	15,110	13,230	18,900	12,940	6,020	17,490	3,940
- Non retail (corporate/SME)	29,160	23,570	10,200	27,240	12,680	11,590	24,730	40,120	5,580	12,680	770
- Slippage from Restructured	820	540	690	-	1,860						
- Slippages below Investment grade	3,030	8,280	9,510	18,770	9,770	3,730	7,070	17,260	1,710	12,120	2,270
- In existing NPA on Re depreciation	10,000	13,040	(7200)	-	-	3,490	800	4.680			
Recovery & Upgrades	20,360	10,060	19,160	15,220	9,310	12,630	40,880	18,830	7,570	19,450	18,640
Write-offs & Sale of NPA	25,980	10,870	30,730	73,248	23,766	13,433	24,599	54,677	14,259	24,691	27,360

Source: Company, PL

Exhibit 11: Return ratios should move to 15% as credit cost normalizes and margins improve

RoA decomposition	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net interest income	**3.1**	**2.9**	**2.8**	**2.9**	**3.2**	**3.3**	**3.3**	**3.4**
Treasury income	0.9	1.3	0.9	0.3	0.3	0.6	0.3	0.3
Other Inc. from operations	1.4	1.3	1.2	1.2	1.3	1.0	1.1	1.1
Total income	**5.3**	**5.5**	**4.9**	**4.5**	**4.8**	**4.9**	**4.8**	**4.8**
Employee expenses	0.7	0.8	0.7	0.7	0.8	0.7	0.7	0.7
Other operating expenses	1.1	1.2	1.2	1.2	1.3	1.1	1.1	1.1
Operating profit	**3.5**	**3.5**	**3.0**	**2.5**	**2.7**	**3.1**	**2.9**	**2.9**
Tax	1.7	2.0	2.1	2.1	1.4	1.3	1.0	0.9
Loan loss provisions	0.4	0.2	0.1	0.0	0.6	0.3	0.4	0.4
RoAA	**1.4**	**1.3**	**0.8**	**0.4**	**0.8**	**1.4**	**1.5**	**1.6**
RoAE	**11.4**	**10.3**	**6.6**	**3.2**	**7.7**	**13.7**	**14.1**	**14.9**

Source: Company, PL

Exhibit 12: NII improves on back of better loan growth, up fees, adjust provisions (for FY21) and lower tax rate

Earnings Estimate Changes (Rs mn)	Old			Revised			% Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net interest income	381,789	439,904	511,684	388,555	451,701	526,018	1.8	2.7	2.8
Operating profit	351,718	383,098	432,127	364,846	400,133	451,794	3.7	4.4	4.6
Net profit	150,253	186,562	227,803	167,367	208,278	250,670	11.4	11.6	10.0
Loan Growth (%)	9.3	12.5	14.1	10.9	13.0	14.1	1.5	0.5	0.0
Credit Cost (bps)	130.0	160.0	130.0	150.0	160.0	130.0	20.0	-	-
EPS (Rs)	22.5	27.0	33.0	25.0	30.2	36.3	11.4	11.6	10.0
ABVPS (Rs)	182.7	206.5	237.6	186.4	212.8	246.1	2.1	3.1	3.6
Price target (Rs)		**616**			***630***			***2.4***	
Recommendation		**BUY**			**BUY**				

Source: Company Data, PL

Exhibit 13: We slightly increase our TP to Rs630 (from Rs616) based on 2x FY23 ABV for bank and Rs141 (from Rs148) on subs

PT calculation and upside	
Terminal Growth	5.0%
Market-risk Premium	7.0%
Risk-free Rate	6.3%
Adjusted Beta	1.05
Cost of Equity	**13.6%**
Fair price - P/ABV	**489**
Target P/ABV	**2.0**
Target P/E	**13.5**
Value of subs/other businesses	141
Price target (Rs)	**630**
Current price, Rs	537
Upside (%)	**17%**

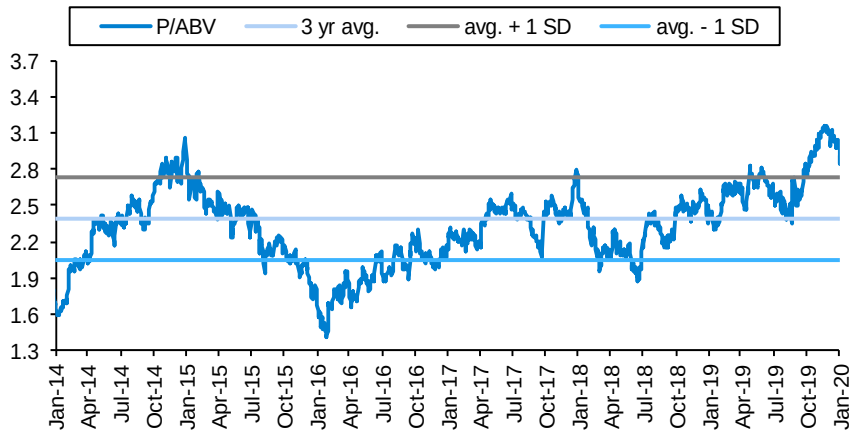
Source: Company, PL

Exhibit 14: Continued improvement in Bank earnings drives TP

Value per share (Rs)	Holding (%)	Multiple	Basis	Mar-23E
ICICI Standalone		**2.0x**		**489**
Subsidiaries / Others				
Life insurance	51	1.9x EV & 16x NBV	IEV	49
General insurance	52		Mcap	43
Asset management	51	7%	AUM	25
Broking & IB	77	15x	PAT	16
Others				8
Total subsidiaries' value				**141**
% contribution of Subsidiaries				*22*
Total fair value per share				**630**

Source: Company, PL

Exhibit 15: ICICIBC One year forward P/ABV trends



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Int. Earned from Adv.	5,75,511	5,73,897	6,51,545	7,38,162
Int. Earned from invt.	1,46,732	1,70,213	2,35,866	3,00,427
Others	25,740	51,133	34,565	27,583
Total Interest Income	7,47,983	7,95,242	9,21,976	10,66,173
Interest Expenses	4,15,313	4,06,688	4,70,275	5,40,155
Net Interest Income	**3,32,671**	**3,88,555**	**4,51,701**	**5,26,018**
Growth(%)	*23.1*	*16.8*	*16.3*	*16.5*
Non Interest Income	1,64,486	1,92,449	1,96,298	2,10,039
Net Total Income	4,97,157	5,81,004	6,47,999	7,36,057
Growth(%)	*17.1*	*8.2*	*13.2*	*14.1*
Employee Expenses	82,712	82,712	94,292	1,08,436
Other Expenses	1,23,946	1,23,946	1,43,778	1,65,344
Operating Expenses	2,16,144	2,16,157	2,47,866	2,84,262
Operating Profit	**2,81,013**	**3,64,846**	**4,00,133**	**4,51,794**
Growth(%)	*19.9*	*29.8*	*9.7*	*12.9*
NPA Provision	88,144	1,01,875	1,21,218	1,11,583
Total Provisions	1,40,532	1,58,221	1,39,785	1,34,490
PBT	**1,40,480**	**2,06,626**	**2,60,347**	**3,17,304**
Tax Provision	61,172	39,259	52,069	66,634
Effective tax rate (%)	*43.5*	*19.0*	*20.0*	*21.0*
PAT	**79,308**	**1,67,367**	**2,08,278**	**2,50,670**
Growth(%)	*135.8*	*111.0*	*24.4*	*20.4*

Balance Sheet (Rs. m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Face value	2	2	2	2
No. of equity shares	6,474	6,897	6,897	6,897
Equity	12,948	13,795	13,795	13,795
Networth	11,65,009	14,85,073	16,75,418	19,04,017
Growth(%)	*7.5*	*27.5*	*12.8*	*13.6*
Adj. Networth to NNPAs	99,233	93,666	98,763	90,903
Deposits	77,09,690	93,28,725	1,07,28,034	1,24,44,519
Growth(%)	*18.1*	*21.0*	*15.0*	*16.0*
CASA Deposits	34,78,185	41,69,940	48,59,799	57,61,812
% of total deposits	*45.1*	*44.7*	*45.3*	*46.3*
Total Liabilities	**1,09,83,617**	**1,27,52,535**	**1,44,84,459**	**1,65,04,787**
Net Advances	64,52,900	71,30,454	80,21,761	91,44,807
Growth(%)	*10.0*	*10.5*	*12.5*	*14.0*
Investments	24,95,315	32,52,604	44,03,236	51,53,895
Total Assets	**1,09,83,651**	**1,27,52,535**	**1,44,84,459**	**1,65,04,787**
Growth (%)	*13.9*	*16.1*	*13.6*	*13.9*

Asset Quality

Y/e Mar	FY20	FY21E	FY22E	FY23E
Gross NPAs (Rs m)	4,08,291	3,96,429	4,16,777	3,99,654
Net NPAs (Rs m)	99,233	93,666	98,763	90,903
Gr. NPAs to Gross Adv.(%)	*6.3*	*5.6*	*5.2*	*4.4*
Net NPAs to Net Adv. (%)	*1.5*	*1.3*	*1.2*	*1.0*
NPA Coverage %	*75.7*	*76.4*	*76.3*	*77.3*

Profitability (%)

Y/e Mar	FY20	FY21E	FY22E	FY23E
NIM	3.5	3.5	3.6	3.6
RoAA	0.8	1.4	1.5	1.6
RoAE	7.1	12.6	13.2	14.0
Tier I	14.7	16.6	17.9	18.9
CRAR	16.1	17.7	18.9	19.7

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Interest Income	1,91,887	1,99,244	1,96,225	1,97,298
Interest Expenses	1,02,618	1,06,446	1,02,564	98,173
Net Interest Income	**89,269**	**92,798**	**93,661**	**99,125**
YoY growth (%)	*17.1*	*19.9*	*16.2*	*16.0*
CEB	35,980	21,040	31,390	36,010
Treasury	-	-	-	-
Non Interest Income	42,550	61,426	40,283	46,863
Total Income	**2,34,437**	**2,60,670**	**2,36,508**	**2,44,161**
Employee Expenses	22,345	21,661	19,673	19,499
Other expenses	35,573	24,798	31,660	38,290
Operating Expenses	57,918	46,459	51,333	57,790
Operating Profit	**73,901**	**1,07,765**	**82,611**	**88,198**
YoY growth (%)	*18.6*	*71.4*	*20.2*	*16.8*
Core Operating Profits	71,481	70,135	77,191	80,538
NPA Provision	-	-	-	-
Others Provisions	59,674	75,940	29,953	27,417
Total Provisions	59,674	75,940	29,953	27,417
Profit Before Tax	**14,227**	**31,825**	**52,658**	**60,780**
Tax	2,013	5,834	10,145	11,385
PAT	**12,214**	**25,992**	**42,513**	**49,396**
YoY growth (%)	*26.0*	*36.2*	*549.1*	*19.1*
Deposits	**77,09,690**	**80,16,223**	**83,29,356**	**87,43,476**
YoY growth (%)	*18.1*	*21.3*	*19.6*	*22.1*
Advances	**64,52,900**	**63,12,146**	**65,26,080**	**69,90,175**
YoY growth (%)	*10.0*	*6.5*	*6.4*	*10.0*

Key Ratios

Y/e Mar	FY20	FY21E	FY22E	FY23E
CMP (Rs)	537	537	537	537
EPS (Rs)	12.3	25.0	30.2	36.3
Book Value (Rs)	175	211	238	272
Adj. BV (70%)(Rs)	149	186	213	246
P/E (x)	43.7	21.5	17.8	14.8
P/BV (x)	3.1	2.5	2.3	2.0
P/ABV (x)	3.6	2.9	2.5	2.2
DPS (Rs)	1.0	-	2.6	3.2
Dividend Payout Ratio (%)	*8.1*	*-*	*8.6*	*8.8*
Dividend Yield (%)	*0.2*	*-*	*0.5*	*0.6*

Efficiency

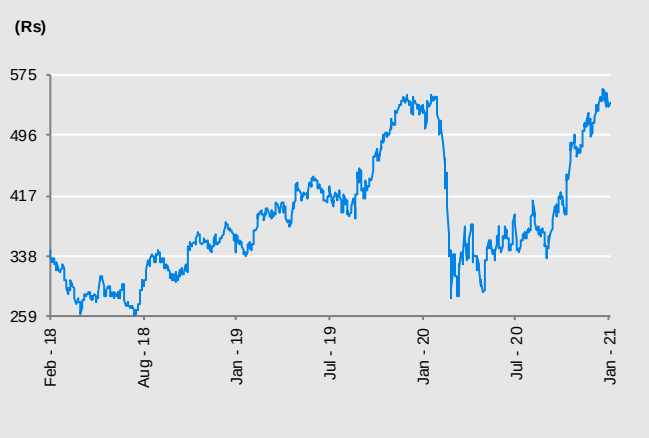
Y/e Mar	FY20	FY21E	FY22E	FY23E
Cost-Income Ratio (%)	*43.5*	*37.2*	*38.3*	*38.6*
C-D Ratio (%)	*83.7*	*76.4*	*74.8*	*73.5*
Business per Emp. (Rs m)	143	164	185	211
Profit per Emp. (Rs lacs)	8	17	21	24
Business per Branch (Rs m)	2,660	3,061	3,452	3,936
Profit per Branch (Rs m)	15	31	38	46

Du-Pont

Y/e Mar	FY20	FY21E	FY22E	FY23E
NII	3.23	3.27	3.32	3.39
Total Income	4.82	4.90	4.76	4.75
Operating Expenses	2.10	1.82	1.82	1.83
PPoP	2.72	3.07	2.94	2.92
Total provisions	1.36	1.33	1.03	0.87
RoAA	0.77	1.41	1.53	1.62
RoAE	7.73	13.66	14.12	14.92

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	BUY	614	542
2	07-Dec-20	BUY	614	502
3	01-Nov-20	BUY	520	393
4	09-Oct-20	BUY	462	402
5	26-Jul-20	BUY	462	383
6	08-Jul-20	BUY	436	369
7	10-May-20	BUY	436	338
8	14-Apr-20	BUY	509	331

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	725	632
2	Bank of Baroda	BUY	82	74
3	Federal Bank	Accumulate	88	77
4	HDFC Bank	BUY	1,690	1,467
5	HDFC Life Insurance Company	Reduce	650	687
6	ICICI Bank	BUY	614	542
7	IDFC First Bank	Sell	32	44
8	IndusInd Bank	Accumulate	1,026	940
9	Kotak Mahindra Bank	Hold	1,912	1,794
10	Max Financial Services	Accumulate	760	727
11	Punjab National Bank	Hold	37	35
12	SBI Life Insurance Company	BUY	1,080	858
13	South Indian Bank	BUY	10	9
14	State Bank of India	BUY	325	286

PL's Recommendation Nomenclature (Absolute Performance)

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Pritesh Bumb- MBA, M.com, Mr. Anmol Das- PGPM (Finance), B. Tech. (Electronics and Communications Engineering) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Pritesh Bumb- MBA, M.com, Mr. Anmol Das- PGPM (Finance), B. Tech. (Electronics and Communications Engineering) Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

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

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.