



3R MATRIX

| | + | = | - |
|----------------------|------------|-----------|------------|
| Right Sector (RS) | ✓ | ✗ | ✗ |
| Right Quality (RQ) | ✓ | ✗ | ✗ |
| Right Valuation (RV) | ✓ | ✗ | ✗ |
| | + Positive | = Neutral | - Negative |

What has changed in 3R MATRIX

| | Old | | New |
|----|-----|---|-----|
| RS | ✓ | ↔ | ✓ |
| RQ | ✓ | ↔ | ✓ |
| RV | ✓ | ↔ | ✓ |

ESG Disclosure Score

NEW

ESG RISK RATING
Updated Jul 08, 2022

26.74

Medium Risk

| NEGL | LOW | MED | HIGH | SEVERE |
|------|-------|-------|-------|--------|
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ |

Source: Morningstar

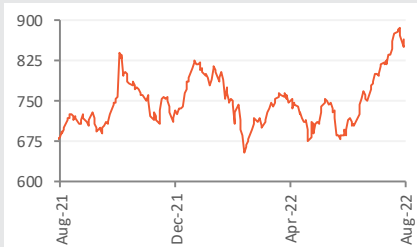
Company details

| | |
|-------------------------------|-----------------|
| Market cap: | Rs. 6,07,433 cr |
| 52-week high/low: | Rs. 887 / 642 |
| NSE volume: (No of shares) | 143 lakh |
| BSE code: | 532174 |
| NSE code: | ICICIBANK |
| Free float: (No of shares) | 696 cr |

Shareholding (%)

| | |
|-----------|------|
| Promoters | - |
| FII | 43.5 |
| DII | 45.3 |
| Others | 11.1 |

Price chart



Price performance

| (%) | 1m | 3m | 6m | 12m |
|--------------------|-----|------|------|------|
| Absolute | 9.1 | 23.3 | 23.5 | 25.8 |
| Relative to Sensex | 3.2 | 14.0 | 15.1 | 20.2 |

Sharekhan Research, Bloomberg

ICICI Bank Ltd

On Strong Footing

| Banks | Sharekhan code: ICICIBANK | | |
|----------------|---------------------------|--------------|-------------------------|
| Reco/View: Buy | ↔ | CMP: Rs. 873 | Price Target: Rs. 1,040 |
| ↑ Upgrade | ↔ Maintain | ↓ Downgrade | |

Summary

- ICICI Bank has been committed to its articulated strategy of targeting risk-calibrated growth in core operating profit, while ensuring that it is resilient against potential risks and capitalize on growth opportunities.
- Strong performance and portfolio quality that the bank has delivered in the past years demonstrates the efficacy of its strategy despite pandemic led disruption.
- The bank grew its market share across key segments, while maintaining credit discipline and a robust balance sheet. The healthy growth in core operating profit, earnings and return ratios reflects the strong underlying business franchise.
- ICICI Bank is well positioned to capture growth going ahead. The stock is currently trading at 2.4x/2.0x its FY2023E/FY2024E core BV. We maintain our Buy rating on the stock with a revised PT of Rs. 1040. Sustainable business performance along with improving return ratios matrix make it our preferred pick in the banking sector.

ICICI Bank's stance of growing the business franchise in a risk-calibrated and granular manner is reaffirming our expectations of sustaining superior performance for a long period, led by steady asset quality performance and in turn lower credit costs. Bank is witnessing healthy growth across Retail, SME, and the business banking portfolio. The SME & business banking portfolio accounts for only 11% of total loans and grew 34% y-o-y/43% y-o-y in FY22 and has a huge headroom to growth. In the retail segment, mortgage accounts for 65%, continues to do well and bank has also increased its focus on higher yielding unsecured loans like personal loans and credit cards. Share of unsecured Retail loans rose to 10.2% of the total loan book from 5.9% in FY18. A healthy mix of a higher yielding portfolio and a low-cost liability franchise is aiding margin expansion. Higher mix of floating loans (~70%), and higher retail CASA would likely support margin in a rising interest rate environment. Total deposits/CASA achieved ~17%/~16% CAGR over FY17-22. Bank has pared down its wholesale borrowings from 25% in FY18 to 9% in FY22. Strategy to access to quality and granular low-cost deposits has helped bank to maintain its competitive advantage in terms of cost of funds and portfolio quality over its peers.

Technology a core enabler to meet strategic objectives: ICICI Bank's initiatives to develop a strong technology architecture, focus on platforms, digitization, continuous investments in innovations and security features are enabling the bank to respond to the needs of customers with agility. The bank's mobile applications, iMobile Pay and InstaBIZ, have now become universal and open architecture-based, helping it serve a wider range of people and businesses. These tools can offer customized solutions, enable data-driven cross-selling and up-selling, onboard new customers, and provide insights about transactions, spends etc. Approximately, ~34% of mortgage sanctions by volumes were end-to-end digital in FY22. ICICI Bank is the market leader in FASTag, with a share of 33%. UPI transactions are up 2.3x in FY22. The bank's credit card business is showing a robust performance, with significant improvement in market share over the years. It is currently the third largest credit card issuer, with a total card base of 13.5mn (market share of 17.2%), and the second largest players in terms of spends, with a market share of ~20%. The bank has crossed 1 million customers in InstaBIZ.

Corporate banking now contributing meaningfully to PBT: Corporate banking accounted for ~30% of the total profit before tax for FY22. The earnings growth is driven by lower loan provisions and healthy loan growth. Under Corporate banking segment, bank has reported 56% y-o-y earnings growth led by 15% y-o-y growth in operating profit growth. NII grew 14% y-o-y while non-interest income grew ~32% y-o-y mainly coming from transaction banking. Core credit cost is at 0.8% of loans versus 5.5% during FY15-19. Over the past years, bank has underwritten higher rated corporate loan assets and there is negligible stress pending to be recognized in this portfolio thus core credit cost should remain lower over the medium term.

Our Call

Maintain Buy with revise PT of Rs. 1040: ICICI Bank currently trades at 2.4x/2.0x its FY2023E/FY2024E core BV. The bank has been reporting steady performance in terms of core operating profits, earnings, deposit franchise and advances recording healthy growth with better asset quality and lower core credit cost. We believe the bank is on a rapid growth path trajectory with strong advances growth, led by retail, business banking, and SME. The bank's continuous building up of its digital capabilities and growing franchise sustainably in a risk-calibrated approach are likely to bode well for future earnings growth going ahead. With higher provision buffers, a higher provisioning coverage ratio (PCR), a strong balance sheet, improved asset quality, and improved return ratios matrix, the bank is set to see good compounding in earnings going ahead.

Key Risks

Economic slowdown due to which slower loan growth and higher-than-anticipated credit cost especially from BB and below-rated corporate portfolio and unsecured retail book could affect earnings.

Valuation (Standalone)

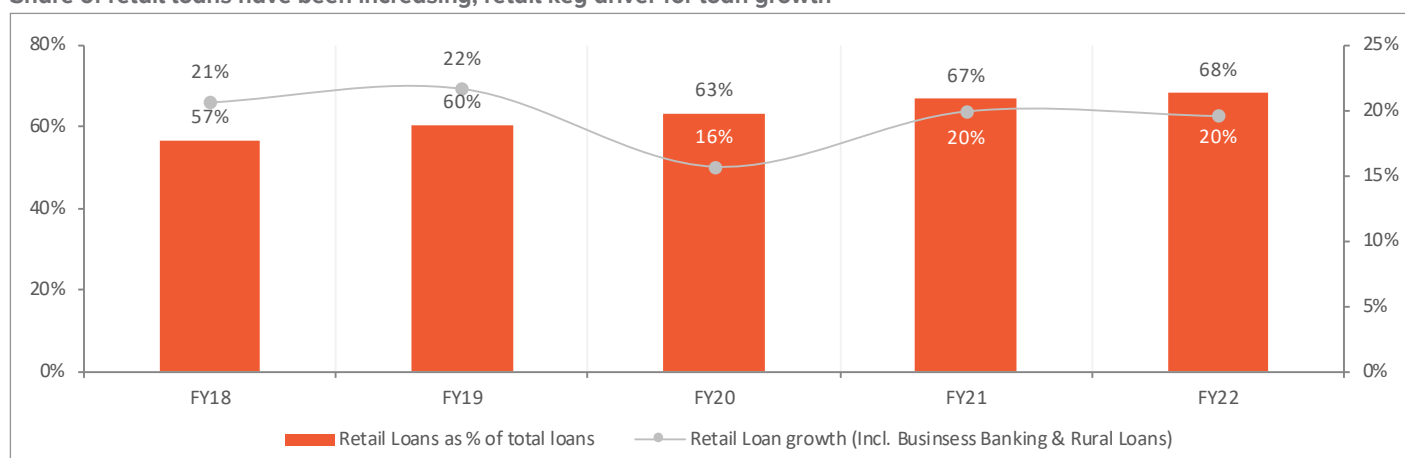
| Particulars | FY22 | FY23E | FY24E | FY25E |
|-------------|--------|--------|--------|--------|
| NII | 47,466 | 57,014 | 68,441 | 79,294 |
| PAT | 23,339 | 27,093 | 33,016 | 38,151 |
| EPS (Rs) | 33.0 | 39.0 | 47.5 | 54.9 |
| P/E (x) | 20.6 | 17.4 | 14.3 | 12.4 |
| P/ABV (x) | 2.8 | 2.4 | 2.0 | 1.8 |
| RoE (%) | 14.7 | 14.7 | 15.4 | 15.3 |
| RoA (%) | 1.8 | 1.8 | 1.9 | 1.9 |

Source: Company; Sharekhan estimates

Sustainable and healthy loan growth path visible

ICICI Bank has continued to improve its retail franchise – both assets and liabilities. CASA ratio is at ~49% and retail loans (incl. Business banking & Rural loans) now account for ~68% of total loans in FY22 versus ~47% in FY16. Retail loans (incl. Business banking & Rural loans) grew at a CAGR of 18% from FY16 -FY22. This should drive sustainable earnings progression for the bank. The bank's strategy of growing the loan portfolio in a granular manner is underpinned by clear focus on risk & reward, with return on capital and containment of provisions below a defined percentage of core operating profit being key imperatives. While there are no targets for loan mix or segment-wise loan growth, the aim is to continue to grow the deposit franchise, maintain a stable, healthy funding profile and competitive advantage in terms of cost of funds. Bank is witnessing healthy growth across the retail, SME, and Business Banking portfolio.

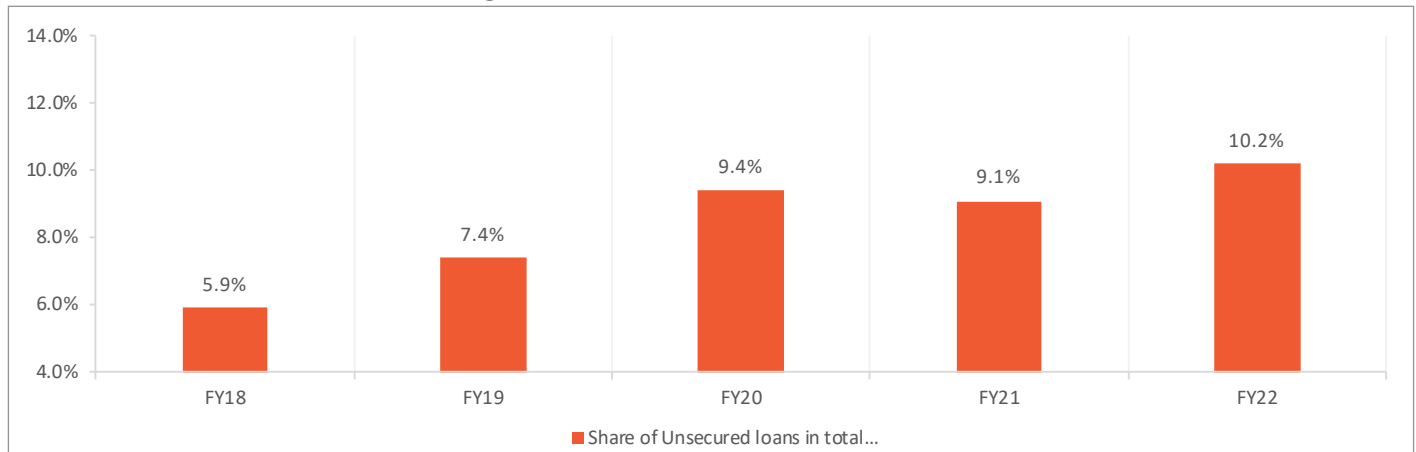
Share of retail loans have been increasing, retail key driver for loan growth



Source: Company; Sharekhan Research

Retail loans (ex-business banking & rural loans) grew by 20% y-o-y in FY22. Under retail segment, mortgage accounts for 65% of overall retail loans and it continues to do well, has grown at a CAGR of 18% from FY16-FY22. Bank has also increased its focus on higher yielding unsecured loans like Personal loans and Credit Cards. Its personal loan and credit card portfolio grew 27% y-o-y/45% y-o-y, respectively in FY22. The share of unsecured retail loans rose to 10.2% of the total loan book from 5.9% in FY18. SME and the business banking portfolio accounts for only ~11% of total loans and grew 34% y-o-y and 43% y-o-y in FY22 and has a huge headroom to grow as digital sourcing has increased significantly across products. Rural loans grew by 7% y-o-y in FY22. In corporate banking, the bank's strategy is customer acquisition based on 360-degree portfolio offering and not just loan offering. Incremental sanctions are undertaken in a granular manner to well-established and higher-rated business groups. Due to this focus, there is a significant improvement in quality, with ~72% of the portfolio lent to 'A- and above' in FY22 versus ~46% in FY18. The domestic corporate book grew by 10% y-o-y in FY22. Also, the exposure of the top 10 groups to its total exposure has fallen to 11.6% in FY22 from 14.3% in FY18.

Share of Unsecured retail loans is increasing in total loans



Source: Company; Sharekhan Research

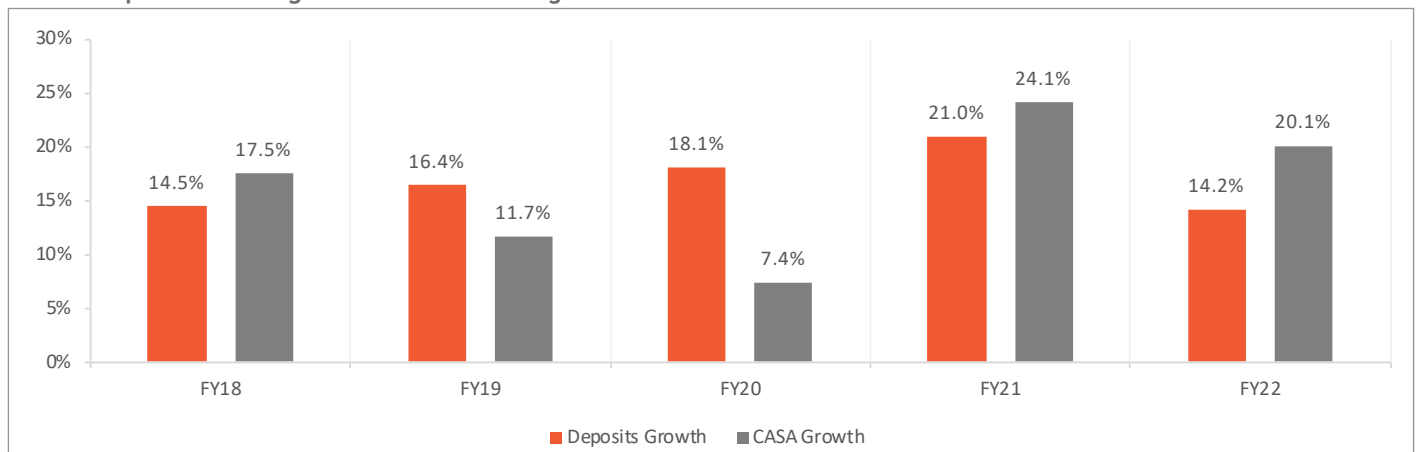
SME and business Banking are key growth drivers for the future. SME portfolio comprises exposures to companies with a turnover of up to Rs. 250 crore, while the Business Banking portfolio comprises of small business customers with an average loan ticket size of Rs.1-1.5 crore. The average ticket size of incremental sanctions in SME is ~Rs. 10 crore. The bank has been building this book by leveraging its distribution network and extensive use of digital platforms such as InstaBIZ, Merchant Stack, and Trade Online. ICICI Bank is conscious of risks involved and is focused on enhancing portfolio quality. To reduce concentration risks, it is leaning towards a granular and collateralized-lending based growth. The primary collateral in the portfolio is in the form of a charge on current assets and is typically backed by property.

After nearly six years, foreign currency loans rose in FY2022 saw an increase in foreign currency loans. Foreign currency loans increased by ~10% y-o-y in rupee terms. The bank has progressed well in its strategy to reduce the non-India linked corporate portfolio. Growth appears to be mostly driven by transactional nature and short term towards better-rated corporates.

Strong mobilisation of low-cost deposits

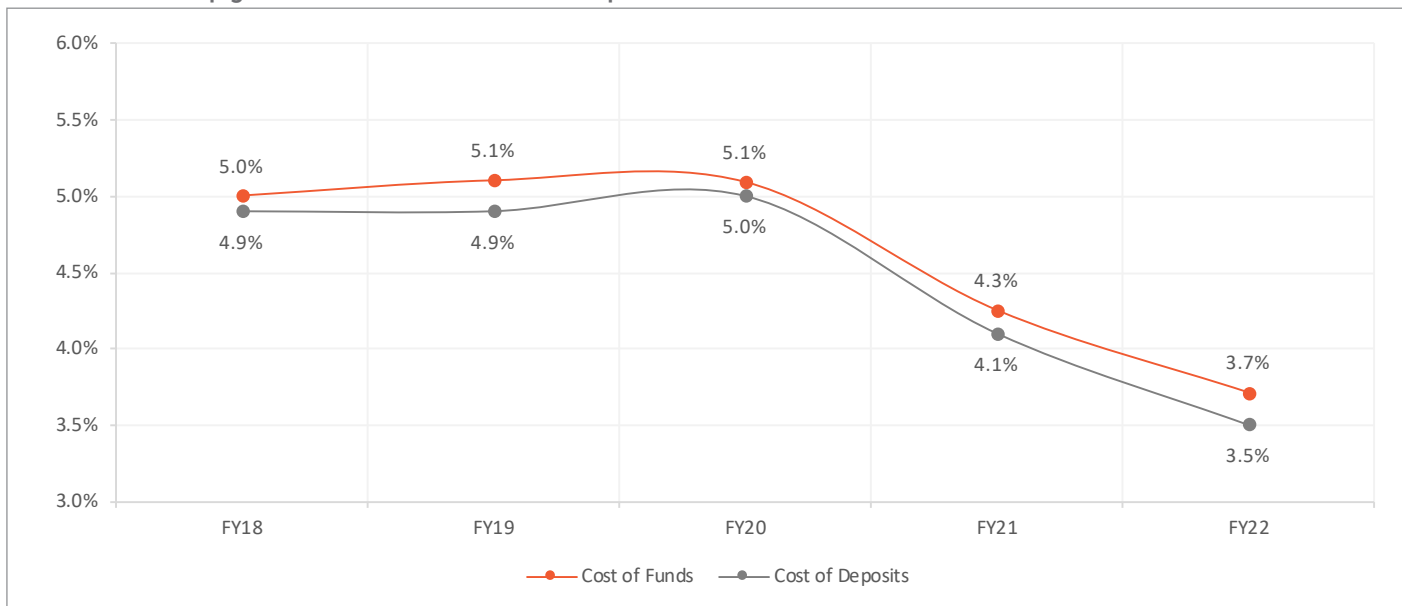
The bank continues to showcase strong performance on mobilization of low-cost deposits. Total deposits and CASA grew at a CAGR of ~17%/~16% CAGR over FY16-22. CASA ratio remains healthy at ~49% in FY22. Growth in its deposit franchise was supported by continuous efforts to strengthen its digital platforms and seamless banking experience to customers. While its liability franchise stands strong, bank intends to maintain a healthy and stable funding profile to deliver benefits on the cost of funds. The access to quality and granular low-cost deposits has helped bank to maintain its competitive advantage in the cost of funds over its peers.

Overall Deposits & CASA growth has been healthy



Source: Company; Sharekhan Research

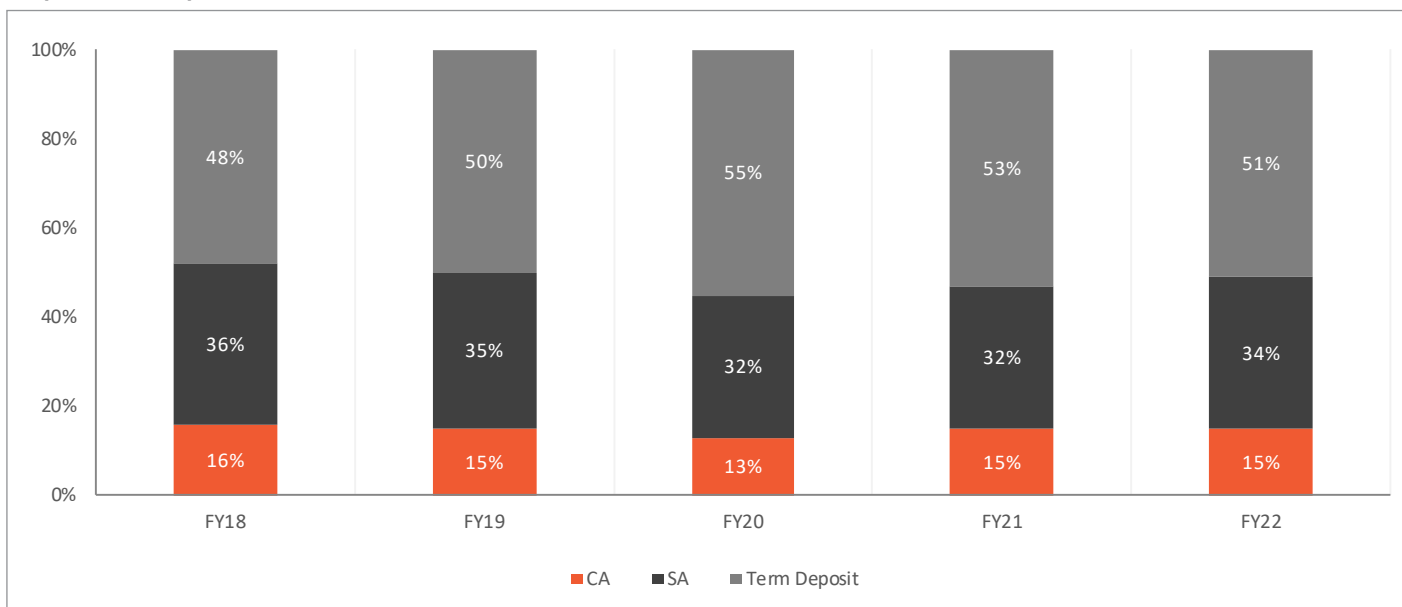
COF declined sharply due to more reliance on retail deposits



Source: Company; Sharekhan Research

Bank saw improvement in CASA ratio from ~46% in FY21 to ~49% in FY22, led by improvement in SA ratio. Overall deposits grew by ~14% y-o-y in FY22, lower than ~20% growth in FY21. This growth was led by strong growth in CA balances (up ~15% y-o-y). Saving account balances grew by ~22% y-o-y, while term deposits grew by 9% y-o-y. Cost of deposits for ICICI Bank is almost comparable with that of HDFC Bank. On the liability side, concentration of the top 20 depositors improved by ~12 bps to 5.3% in FY22.

Proportion of Deposits

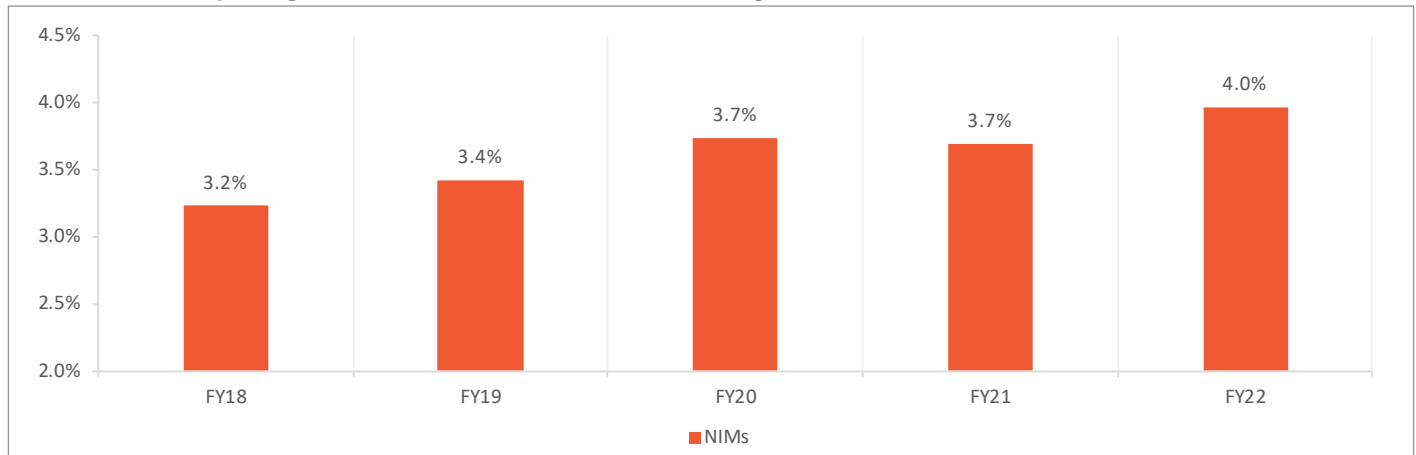


Source: Company; Sharekhan Research

Positive outlook on margins

We have seen a healthy expansion in NIM in recent years. It has been driven primarily by a decline in cost of funds for the bank and better yield mix in assets. Higher mix of floating loans (~70%), and higher retail CASA would likely support margin in a rising interest rate environment.

NIMs have been improving on the back of reduction in COF & better yield mix

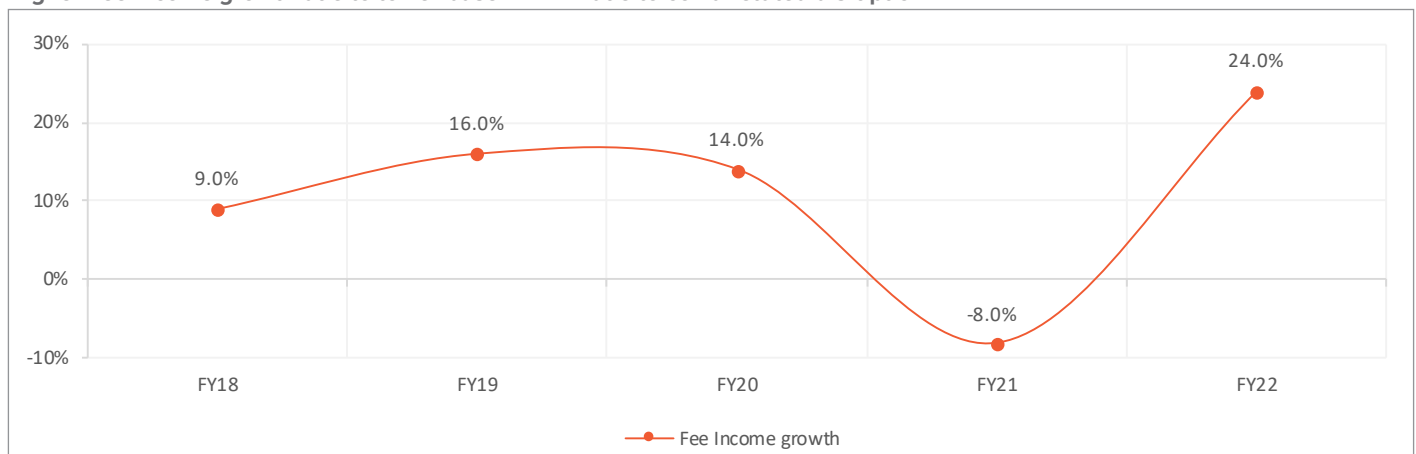


Source: Company; Sharekhan Research

Granular fee income

Overall fee income grew by ~24% y-o-y in FY22. Retail fee income grew by 23.5% y-o-y in FY22, driven by an increase in fees from its credit card business and transaction banking services. Retail, rural, SME and business banking customers accounted for ~77% to overall fee income in FY22, signifying the granularity in fee income. The management's focus on the credit cards business and market share gain in cards-in-force as well as spends led fee growth. Efficient use of data analytics, with an increase in the volume of digital transactions, has helped boost volumes for several retail products. Corporate portfolio will drive fee income as loan growth picks up, aided by a new capex cycle and working capital loans.

Higher Fee income growth due to lower base in FY21 due to covid related disruption

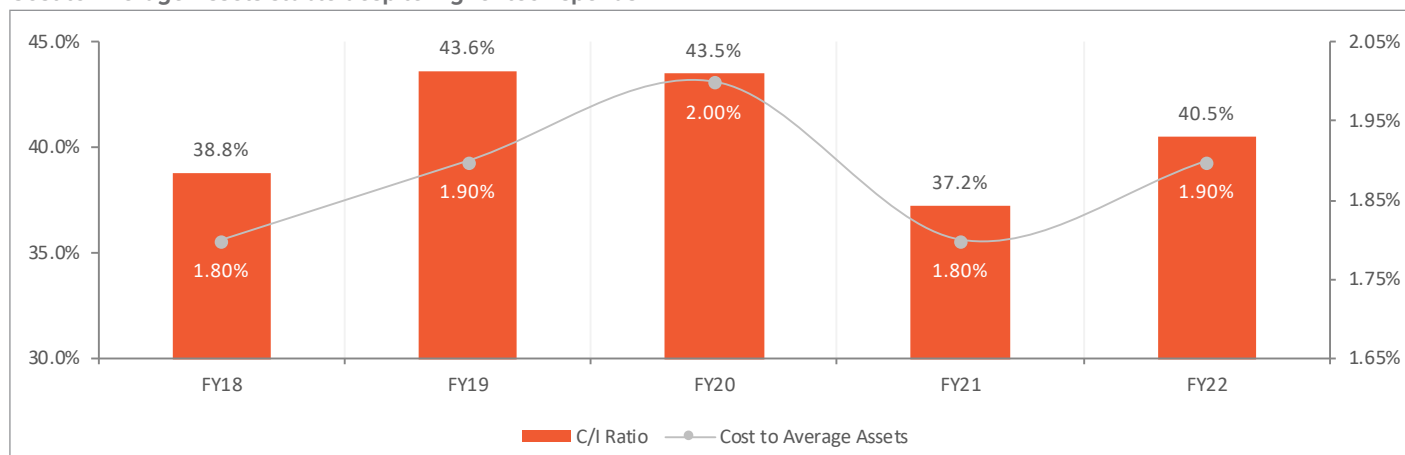


Source: Company; Sharekhan Research

Cost to Assets ratio stable despite higher tech spends and higher business volumes

The bank has been continuously investing into digital capabilities to support its business growth and expand into new verticals. Despite regular investments in the business, the average cost-to-assets ratio stood stable at 1.8-2% over FY16-22, while the C/I ratio moderated to 40.5% in FY22 from 43.6% in FY19. It is strongly focusing on leveraging technology to raise business volumes with an aim to maintain control over its cost metrics.

Cost to Average Assets stable despite higher tech spends

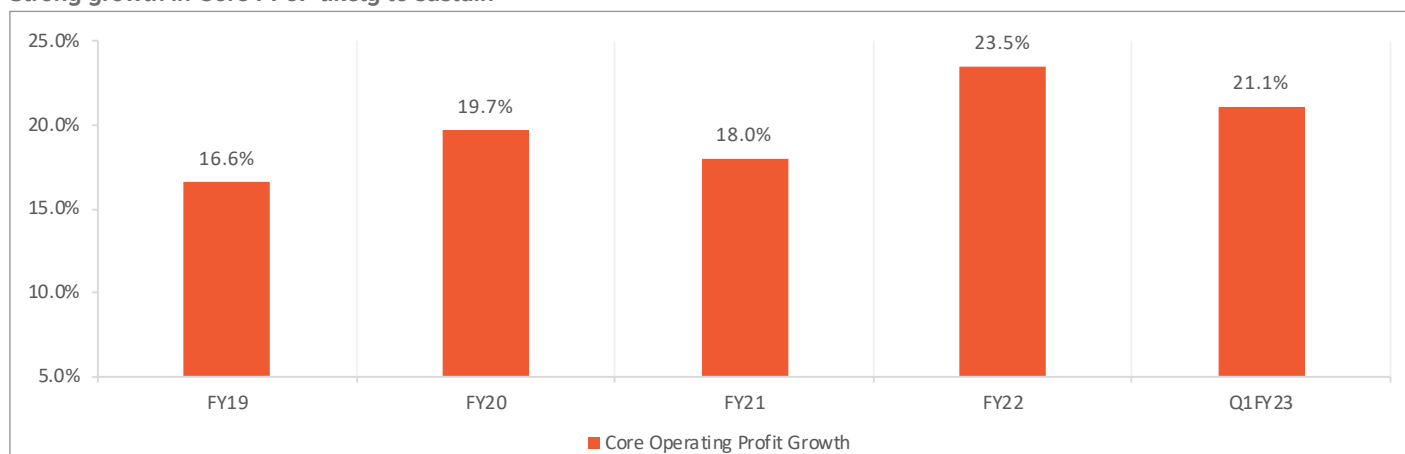


Source: Company; Sharekhan Research

Clear focus on generating healthy Core Operating Profit

ICICI Bank remained committed to its articulated strategy of targeting risk-calibrated growth in core operating profit, while ensuring resilience against potential risks and being well-poised to capitalise on market opportunities. The strong financial performance and portfolio quality that the Bank has delivered in recent past years demonstrates the efficacy of the strategy. The healthy growth in core operating profit and profit after tax in FY22 reflects the strong underlying performance of the business franchise.

Strong growth in Core PPOP likely to sustain

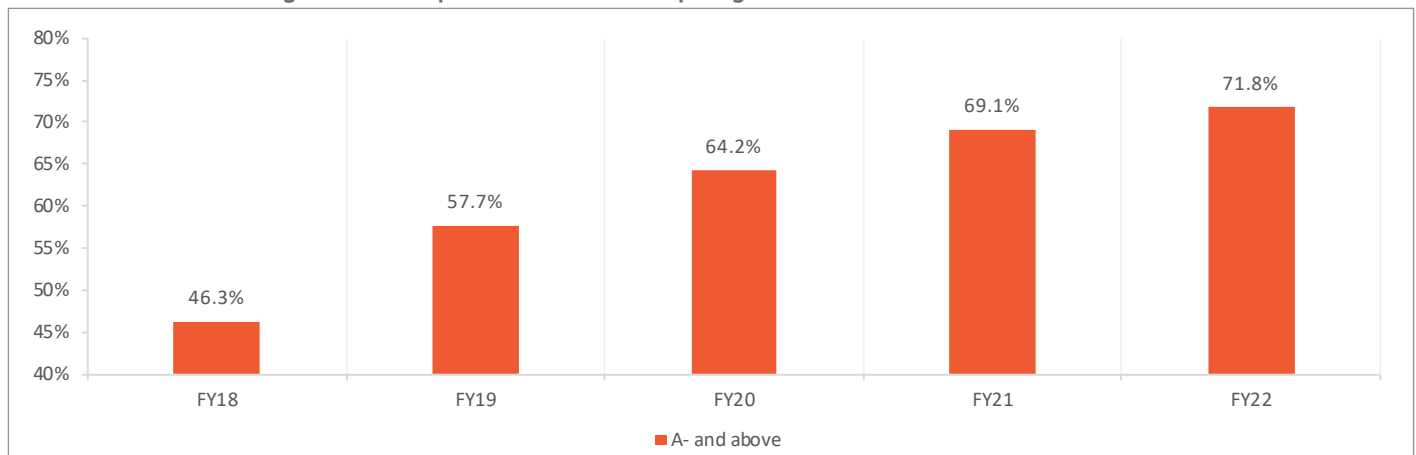


Source: Company; Sharekhan Research

Credit cost likely to be lower over the medium term

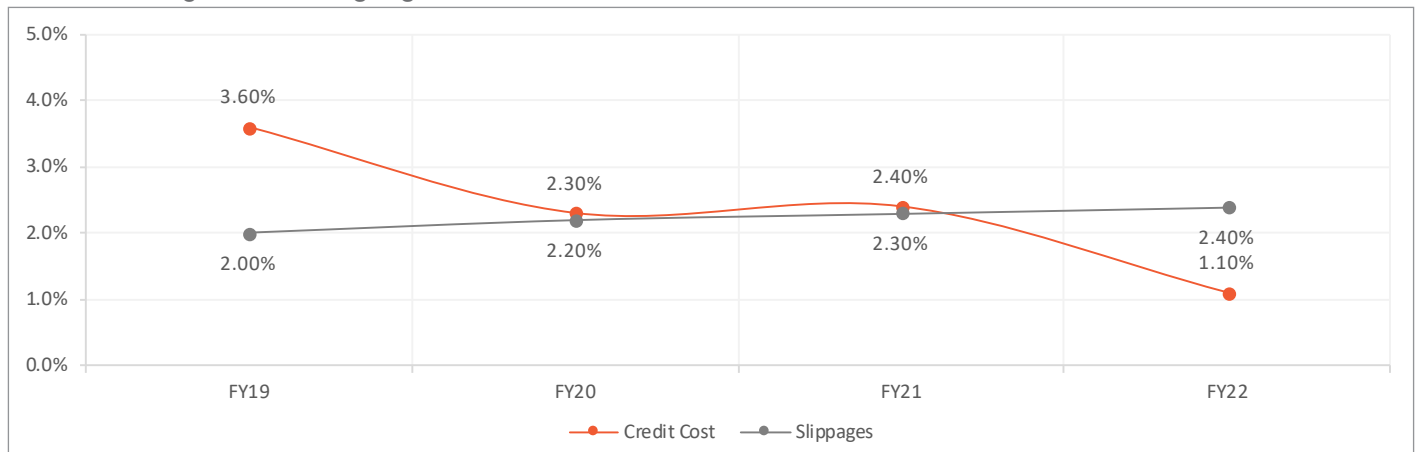
Provisions declined ~20% y-o-y in the retail business and 40% y-o-y in the corporate banking. Bank held contingent provisions of Rs. 8,500 crore (0.9% of loans) as at June 2022. Recoveries and upgrades were higher for the bank largely led by the retail segment. Slippages in the corporate book was at 1.2% while retail was at 3% in FY22. While coverage ratio is at ~60% in the retail book and ~90% in the corporate portfolio. Most of the legacy bad loans have already been recognised and there is adequate provision buffer for stress that could arise from restructured loans. Its 'A- and above' rated corporate and SME loan book is now at ~72% of total. Incremental share of higher-rated borrowers is ~90%; this should prevent sharp rise in NPL and in turn credit cost.

Bank has underwritten higher rated corporate loans over the past years



Source: Company; Sharekhan Research

Credit Cost likely to undeshoot going forward

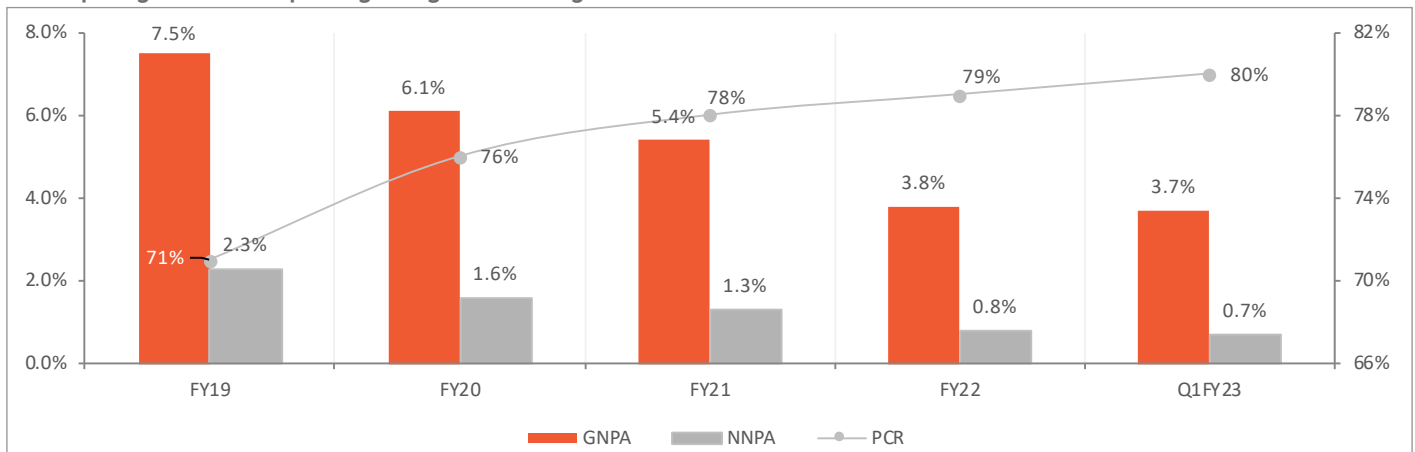


Source: Company; Sharekhan Research

Steady asset quality matrix

Slippage ratio stood at 2.4%, which, coupled with healthy upgrades and writeoffs, led to a decline in GNPA ratio 3.8%/3.41% of loans in FY22/Q1FY23 vs 5.4% in FY21 also in absolute terms. Overall PCR stood at ~79% in FY22. NNPL ratio improved to 0.8%/0.7% in FY22/Q1FY23 vs 1.3% in FY21. Total restructured book stands 0.8% of loans. Bank is not seeing any unusual behavior and expects the overall stress to be controlled. The 'BB and below' book in corporate and SME segment stood at Rs. 8,209 crore. An improvement in underwriting, led by increasing adoption of analytics, a lower BB and below book, and controlled restructuring would enable a sustained improvement in credit cost.

Asset quality has been improving along with healthy PCR maintained

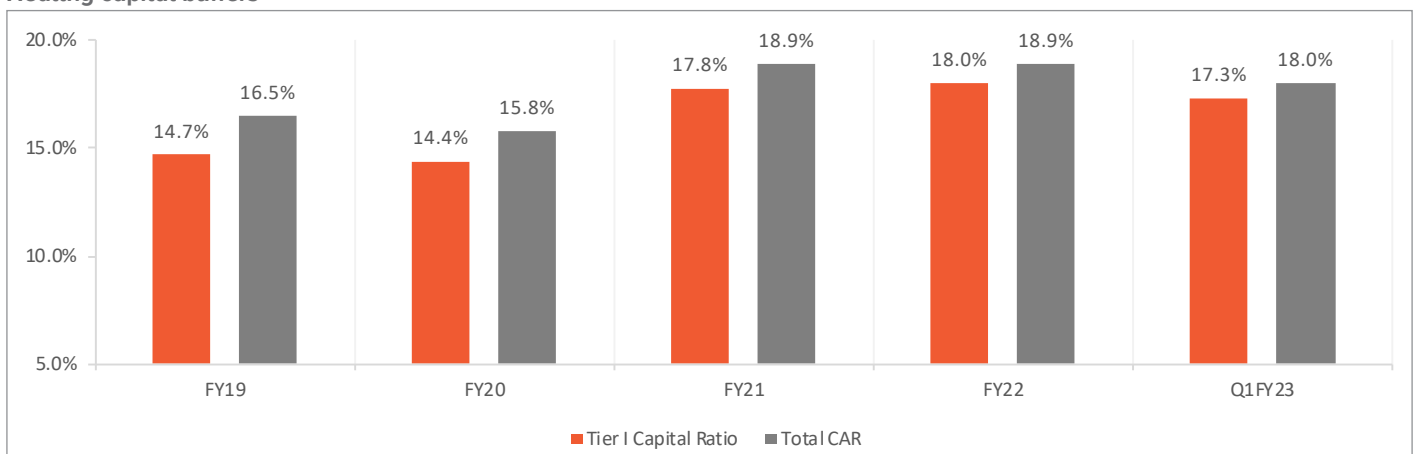


Source: Company; Sharekhan Research

Strong capital buffers

Tier I capital ratio stood healthy at 17.3% (CET-1 of 16.5%), with a total CAR of 18% as at 1QFY23. Risk weighted assets to total assets moderated to ~68% in FY22 from 84% in FY16 due to higher rated loans underwritten.

Healthy capital buffers



Source: Company; Sharekhan Research

Digital push playing key role

Initiatives in developing a strong technology architecture, focus on platforms, digitisation, continuous investments in innovations and security features are enabling the bank to respond to needs of customers with agility. The bank's mobile applications, iMobile Pay and InstaBIZ, have now become universal and open architecture, enabling the bank to expand the number of people and businesses that it can serve. In today's dynamic environment, it is imperative to be responsive to new technologies, digital processes, and design customer digital journeys with speedy time-to-market. These tools can offer customised solutions, enable data-driven cross-sell and up-sell, onboard new customers, and provide insights about transactions, spends etc. Approximately, ~34% of mortgage sanctions by volume were end-to-end digital in FY22. ICICI Bank is the market leader in FASTag, with a share of 33%. UPI transactions are up 2.3x in FY22. The bank's credit card business is showing a robust performance, with significant improvement in market share over the years. It is currently the third-largest credit card issuer, with a total base of 13.5 million cards (market share of 17.2%), and the second-largest player in terms of spends, with a market share of ~20%. The bank crossed 1 million customers in InstaBIZ.

Others

Overall contingent liabilities to loans stood at 4.5x of loans, which is a sharp increase from 3.6x FY21 due to increase on account derivative contracts (which are generally hedged in the inter-bank market) rather than riskier off-balance sheet items. The share of high credit risk items like guarantees and an acceptance have been steadily declining or has been stable y-o-y.

Mixed trends by subsidiaries

ICICI Canada & UK performance was sub-par.

- ♦ **ICICI Home Finance:** Performance was better than the previous year as recovery in loan growth and earnings was witnessed. PBT grew ~6.5X y-o-y (low base), driven by ~30% PPOP growth while provisions declined 35% y-o-y.
- ♦ **ICICI Prudential Life Insurance:** The share of traditional Savings/Protection grew to 27%/17% in FY22 from 9% each in FY19. As a result, VNB margin improved to 28% in FY22 v/s 17% in FY19. The same is likely to remain resilient, aided by a further improvement in the company's product mix. Its operating RoEV declined to 11% in FY22, mainly due to large mortality variance because of Covid-19. Excluding the mortality variance, operating variance would be 15%, like FY21.
- ♦ **ICICI Lombard General Insurance:** PAT declined by 14% y-o-y to Rs.1,270 crore due to higher claims (13% PAT CAGR over FY17-22), even as gross written premium grew 33% (12% CAGR over FY17-22). RoE declined to 15% from ~20% levels.
- ♦ **ICICI Prudential Asset Management:** In terms of AUMs, it ranks second with an AUM of ~Rs 4.7 trillion as at March 2022. PAT/AUM has grown at 25%/14% CAGR over FY17-22. PAT, as a percentage of average AUMs has expanded to 0.31% in FY22 from 0.21% in FY19. In FY22, AUM growth was healthy at 15% y-o-y, with a 17% y-o-y growth in PAT to Rs.1450 crore.
- ♦ **ICICI Securities:** It reported a 30% y-o-y growth in profit in FY22.

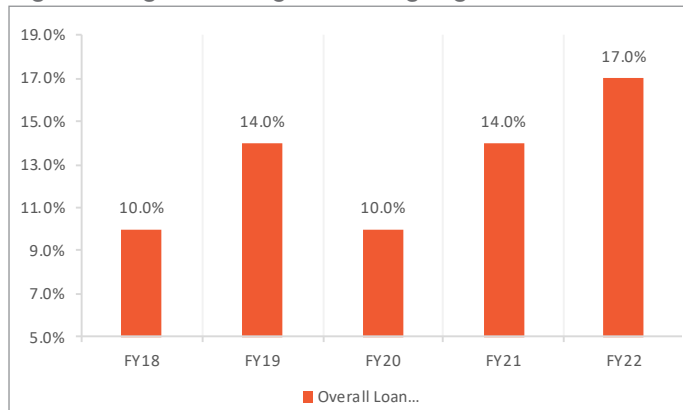
SOTP valuation

| Subsidiary/Associate/JV | Per share value (Rs.) |
|--|-----------------------|
| Core Bank Value | 846 |
| ICICI Prudential Life Insurance | 84 |
| ICICI Lombard General Insurance | 66 |
| ICICI Prudential AMC | 54 |
| ICICI Securities | 21 |
| ICICI Home Finance | 4 |
| ICICI Bank UK Plc | 3 |
| ICICI Bank Canada | 6 |
| ICICI Venture | 2 |
| ICICI PD business | 3 |
| Sum of subs/ associates | 243 |
| Holding Co. discount @20% | 49 |
| Value of subs/ associates post holdco discount | 194 |
| Fair Value | 1040 |

Source: Company, Sharekhan Research

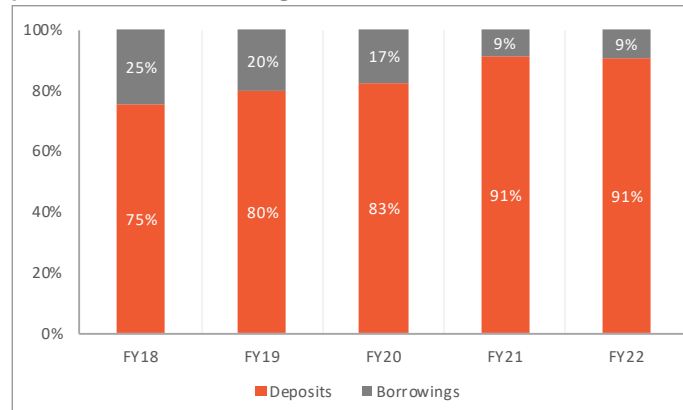
Financials in charts

Higher loan growth likely to sustain going forward



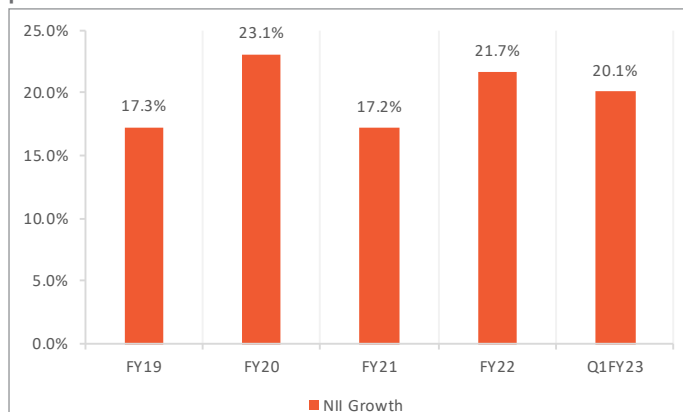
Source: Company, Sharekhan Research

Over the past few years, wholesale borrowings have been pared down substantially



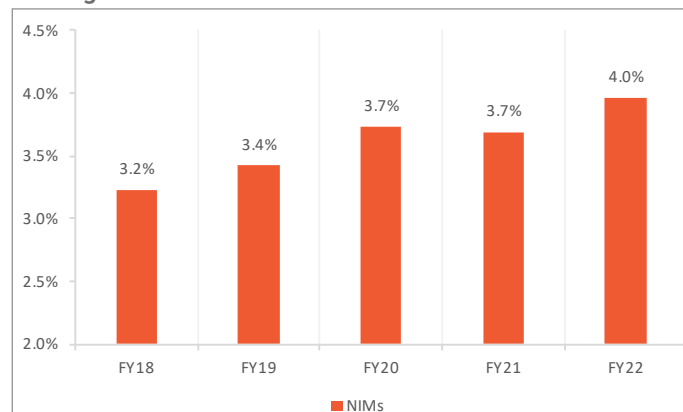
Source: Company, Sharekhan Research

Strong NII growth led by healthy loan growth & margin improvement



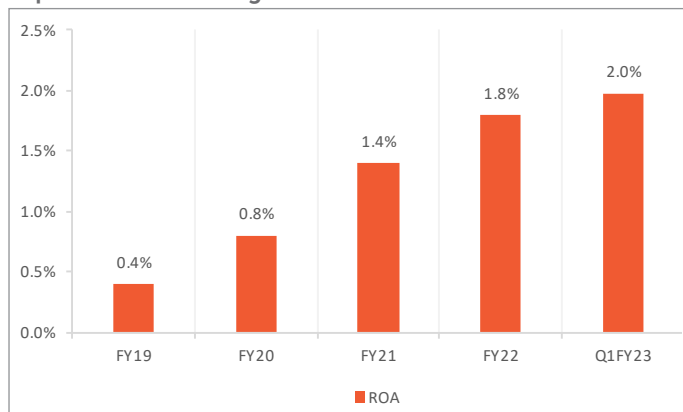
Source: Company, Sharekhan Research

NIMs have been improving on the back of reduction in COF & better yield mix



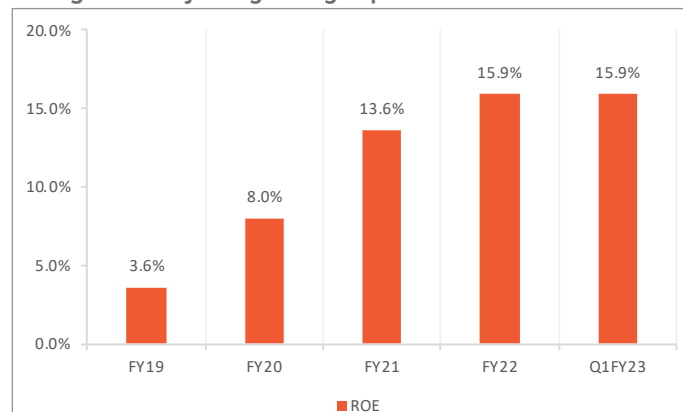
Source: Company, Sharekhan Research

Improved returns likely to sustain ahead



Source: Company, Sharekhan Research

Strong ROE trajectory led by improved ROA



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector View – Credit growth accelerating; Top private banks placed better

System-level credit offtake grew by ~15.1% y-o-y in the fortnight ending July 29, 2022, indicating loan growth has been sustaining, given the distinct signs of improving economy and revival of investments and loan demand. On the other hand, deposits rose by ~9.1%, which also reflect a healthier economic scenario but are trailing advances growth. The bank's bottom-up story is intact and we should see loan growth accelerate, while margins would continue to expand in a higher interest rate cycle. Asset quality is not a big issue from the corporate loans end as only de-leveraging is being observed. From the retail side, there could be some pressure but nothing is significant. Asset quality is likely to remain stable except the MFI segment. Banks are in a sweet spot in terms of fundamentals and reasonable valuations. In the past two years, banks have been cautious on lending to BB and below, thus general risk, which they are carrying on corporate portfolio is low. On the retail loans front, due to COVID-19, banks have already seen one downcycle. Most of the exposure has been taken into credit cost. In terms of MSME, we need to be watchful. At present, we believe that the banking sector is likely to see higher risk-off behaviour, with tactical market share gains for well-placed players. We believe large banks with a strong capital base and asset quality (with high coverage and provision buffers) are well placed to capture growth opportunities.

■ Company Outlook – Attractive franchise over the long term

ICICI Bank's strong positioning across retail, business banking, SME, and corporate banking segments with improved return ratio matrix make it an attractive and strong franchise over the long term. Looking ahead, we believe growth in the economy, growth in digital initiatives, and the bank's strong retail franchise, prudent risk management practices and strong capital ratios make the bank well placed to capture opportunities that will arise in the near to medium term. Healthy provision buffer and strong liability franchise indicate a strong business outlook for the bank. The bank has underwritten higher-rated loans in the past 3-4 years with a minimal legacy burden. We find ICICI Bank to be an attractive franchise with a strong balance sheet and improved return ratio matrix, which makes it attractive over the long term. Moreover, its well-performing subsidiaries, which are strong players in their respective fields, add value to the overall business.

■ Valuation – Maintain Buy with revise PT of Rs 1,040

ICICI Bank currently trades at 2.4x/2.0x its FY2023E/FY2024E core BV. The bank has been reporting steady performance in terms of core operating profits, earnings, deposit franchise and advances recording healthy growth with better asset quality and lower core credit cost. We believe the bank is on a rapid growth path trajectory with strong advances growth, led by retail, business banking, and SME. The bank's continuous building up of its digital capabilities and growing franchise sustainably in a risk-calibrated approach are likely to bode well for future earnings growth going ahead. With higher provision buffers, a higher provisioning coverage ratio (PCR), a strong balance sheet, improved asset quality, and improved return ratios matrix, the bank is set to see good compounding in earnings going ahead.

Peer valuation

| Particulars | CMP (Rs / Share) | MCAP (Rs Cr) | P/E (x) | | P/B (x) | | RoE (%) | | RoA (%) | |
|-------------|------------------|--------------|---------|-------|---------|-------|---------|-------|---------|-------|
| | | | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| ICICI Bank | 873 | 6,07,433 | 17.4 | 14.3 | 2.4 | 2.0 | 14.7 | 15.4 | 1.8 | 1.9 |
| HDFC Bank | 1,471 | 8,18,346 | 18.2 | 15.4 | 2.8 | 2.4 | 16.5 | 16.8 | 1.9 | 1.9 |
| Axis Bank | 751 | 2,30,645 | 12.1 | 10.0 | 1.6 | 1.4 | 14.3 | 14.9 | 1.4 | 1.5 |

Source: Company, Sharekhan estimates

About company

ICICI Bank is India's second-largest private bank and has a leadership position in other financial services businesses through its subsidiaries. The bank offers the entire spectrum of financial services to customer segments covering large and mid-corporates, MSME, agriculture, and retail businesses.

Investment theme

ICICI Bank has a well-diversified loan book having strengths in both retail and corporate segments. The bank's liability profile has improved significantly, which would be helpful in sustaining margins at healthy levels. Loan book quality has significantly improved, which we believe is positive for its profitability and growth going forward. With comfortable liquidity on books, the overall franchise value, healthy capitalisation levels, and a high provision coverage ratio (PCR), the bank will be able to ride over medium-term challenges.

Key Risks

Economic slowdown due to which slower loan growth and higher-than-anticipated credit cost especially from BB and below-rated corporate portfolio and unsecured retail book could affect earnings.

Additional Data

Key management personnel

| | |
|----------------------|-------------------------|
| Mr. Sandeep Bakhshi | CEO/Managing Director |
| Mr. Anup Bagchi | Executive Director |
| Mr. Rakesh Jha | Executive Director |
| Mr. Anindya Banerjee | Chief Financial Officer |

Source: Company Website

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|-------------------------------------|-------------|
| 1 | Deutsche Bank Trust Co America | 16.7 |
| 2 | Life Insurance Corporation of India | 6.7 |
| 3 | SBI Mutual Funds | 5.4 |
| 4 | ICICI Prudential Asset Management | 3.1 |
| 5 | Republic of Singapore | 3.0 |
| 6 | BlackRock Inc | 2.3 |
| 7 | HDFC Asset Management | 2.1 |
| 8 | NPS Trust | 1.9 |
| 9 | Dodge & Cox | 1.7 |
| 10 | UTI Asset Management Co Ltd | 1.7 |

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Sharekhan 3R Matrix

| Right Sector | |
|-----------------|--|
| Positive | Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies |
| Neutral | Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies |
| Negative | Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability. |
| Right Quality | |
| Positive | Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance. |
| Neutral | Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable |
| Negative | Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet |
| Right Valuation | |
| Positive | Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment. |
| Neutral | Trading at par to historical valuations and having limited scope of expansion in valuation multiples. |
| Negative | Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple. |

Source: Sharekhan Research

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