

Steady (and slow) healing...

ICICBC's 2Q was ahead of our estimates. Reported asset quality was stable. The higher influx into the BB and below rated pool disappointed mildly. This was expected, given the spate of downgrades and peer commentary in 1Q. Maintain BUY with an SOTP of Rs 510 (2.0x Sept-21E core ABV of Rs 193 and sub-value of Rs 125).

HIGHLIGHTS OF THE QUARTER

- Asset Quality Stable QoQ:** GNPA's were flat QoQ at ~Rs 456bn (~6.4%) with an ~11% QoQ reduction in slippages to ~Rs 24.8bn (1.65% ann.). Both corporate (-9% QoQ, 2.7%) and retail (-11% QoQ, 1.4%) slippages were lower. ~Rs 3.5bn of corp slippages were due to forex fluctuations. Adj. for this, ~56% of corporate slippages were from identified stress. Our slippage assumptions remain mostly unchanged at 1.7%, in spite of the rise in the BB and below rated book, as we built higher slippages in 1Q itself. We have reduced our recovery assumptions, as no material progress on large loan resolutions is seen as yet.
- Share of Low Rated Corporate Loans Rises:** The pool of BB and below rated corporate and SME loans saw a ~5% QoQ increase to ~Rs 161bn (2.6% of loans, albeit down 8.3% since FY19). A combination of a rise in influx (~Rs 21bn) and fall by way of recoveries and upgrades led to

Financial Summary

(Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Interest Income	80.57	64.18	25.6%	77.37	4.1%	270.1	317.7	370.4	435.2
PPOP	68.74	52.50	30.9%	62.88	9.3%	234.4	276.5	329.5	395.8
PAT	6.55	9.09	-27.9%	19.08	-65.7%	33.6	85.1	162.1	218.1
EPS (Rs)	1.0	1.4	-28.2%	3.0	-65.8%	5.2	13.2	25.1	33.8
Core ROAE (%)						3.3	6.9	12.8	15.4
Core ROAA (%)						0.36	0.83	1.40	1.65
Adj. BVPS (Rs)						138	155	178	207
P/ABV (x)#						2.66	2.33	1.99	1.68
P/E (x)#						70.3	27.3	14.1	10.2

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

this. We are not surprised, given the spate of ratings downgrades. Commentary suggests a higher influx in 2H. The movement of this pool is a key indicator of upcoming stress.

- NIMs Expand:** While reported NIMs expanded merely 3bps QoQ to 3.64%, adj. for the impact of higher interest on IT refund and interest recognized on recoveries in 1Q, the actual increase was higher (~10bps). This was aided by a sharp 16bps QoQ increase in yields on advances to 9.52% while the CoD fell 2bps QoQ. Despite the strong upward trend in NIMs over the trailing 12 months with a continued increase in the share of higher yielding loans, we conservatively build NIMs of 3.6%, given the uncertainty of the impact of EB-linked loans.

STANCE

We continue to like to the structural change in the bank's B/S (increasing retailisation) and P&L fortification (better margins, lower LLPs due to better coverage). These trends appear sustainable and are likely to persist over the medium term. Our estimates did factor a slight increase in stress in the near term, hence they have not changed significantly. Limited exposure to known stressed names gives us some comfort and we believe the worst in terms of asset quality is long past ICICBC. Maintain BUY.

INDUSTRY	BANKS
CMP (as on 25 Oct 2019)	Rs 469
Target Price	Rs 510
Nifty	11,584
Sensex	39,058

KEY STOCK DATA

	ICICIB IN
Bloomberg	
No. of Shares (mn)	6,460
MCap (Rs bn) / (\$ mn)	3,030/42,734
6m avg traded value (Rs mn)	8,718

STOCK PERFORMANCE (%)

52 Week high / low	Rs 471/312		
	3M	6M	12M
Absolute (%)	14.7	18.6	46.6
Relative (%)	11.5	17.8	30.7

SHAREHOLDING PATTERN (%)

	Jun-19	Sept-19
Promoters	-	-
FIs & Local MFs	43.6	47.7
FPIs	43.2	40.8
Public & Others	13.2	11.5
Pledged Shares	-	-

Source : BSE

Darpin Shah

darpin.shah@hdfcsec.com
+91-22-6171-7328

Aakash Dattani

aakash.dattani@hdfcsec.com
+91-22-6171-7337

- **Retail Continues To Drive Growth:** Overall credit crossed the Rs 6tn mark, growing ~13/4% (QoQ acceleration) led by domestic loan growth to ~16/4% YoY/QoQ. Within the domestic book, retail loans grew the fastest at ~22/5% led by unsecured segments (PL & CC, +51 & 40% YoY). As per the revised classification, Corp loans grew a mere 3/1%, while the SME loans grew 30/8% YoY/QoQ. Overseas book de-grew ~13% YoY (flat QoQ) to form 9.8% of loans vs. 12.7% YoY and 10.1% QoQ. We have maintained our loan CAGR at ~16.5% over FY20-22E.
- **Provisions Dip, Best In Class Coverage:** After remaining elevated over FY19, provisions were ~37/28% lower at ~Rs 25bn. Despite this, NNPAAs were ~8% lower QoQ at ~Rs 109bn (1.6%). The coverage ratio jumped ~200bps QoQ to ~76%. Further, ICICBC holds provisions of ~Rs 13bn against NFB exposure to GNPLs (~Rs 31bn) and general provisions of Rs 309bn. We build LLPs of 1.7% over FY20-22E vs. mgt guidance of 1.2-1.3%. Actual LLPs may be lower if recoveries see an uptick.
- **CASA Growth Resurgent:** Overall deposits grew ~25/5% with faster QoQ CA growth (+18% QoQ and ~26% YoY). SA grew ~11/6%. The terminal CASA ratio jumped ~140bps QoQ (albeit down ~410bps YoY) to ~46.7%. TDs grew ~35/3%. Healthy deposit growth, on a large base despite (1) Slowing systemic deposit accretion and (2) No rate differential lure, confirms a strong liability franchise.
- **C-I Rises:** Opex grew ~24/10% QoQ, with similar QoQ increase in staff costs and other opex. ICICBC made higher retirement benefit provisions this qtr (due to yield movements) and has added 16,000 employees over the last 12 months. Commentary suggests that elevated spends may continue over the year. We have increased our opex over FY20-22E marginally.
- **Non Interest Income** grew ~33/22% YoY/QoQ to Rs 41.9bn led by hefty treasury gains (Rs 3.4bn) and strong growth in fees (Rs 34.8bn, +16/14% YoY/QoQ). Core fees were driven by 21% rise in retail fees (74% of total fees vs. 72% earlier). Dividend income, too was higher QoQ at Rs 3.8bn vs. Rs 2bn QoQ. We model a core C-I ratio of 43% over FY20-22E.

SOTP

	Rs bn	Per Share	Rationale
ICICI Bank	2,478	385	2.0x Sept-21E ABV of Rs 193
ICICI Life Insurance	338	53	Sept-20 EV + 19.2x Sept-21E VNB
ICICI Lombard	269	42	Sep-21E P/E of 26x and a P/ABV of 5.6x
ICICI AMC	161	25	7% of FY21E AUM
ICICI UK	36	6	1x FY21E BV
ICICI Canada	45	7	1x FY21E BV
ICICI Housing Finance	22	3	1x FY21E BV
ICICI Sec	73	11	14x Sept-21E EPS
Others	64	10	I Ventures and Others
Total Value Of Subsidiaries	1,009	157	
Less: 20% Holdco Discount	202	31	
Net Value Of Subsidiaries	807	125	
Total Value	3,285	510	
Current Value	3,019	469	
Upside (%)	8.8	8.8	

Five Quarters At A Glance

Rs bn	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY Growth	QoQ Growth
Net Interest Income	64.2	68.8	76.2	77.4	80.6	25.6%	4.1%
Non-interest Income	31.6	38.8	36.2	34.3	41.9	32.9%	22.4%
Treasury Income	(0.4)	4.8	1.6	1.8	3.4	-1074.3%	90.5%
Operating Income	95.7	107.6	112.4	111.6	122.5	28.0%	9.8%
Operating Expenses	43.2	46.1	50.1	48.7	53.8	24.4%	10.3%
Pre Provision Profits (PPoP)	52.5	61.5	62.3	62.9	68.7	30.9%	9.3%
Provisions And Contingencies	39.9	42.4	54.5	35.0	25.1	-37.2%	-28.3%
PBT	12.6	19.0	7.8	27.9	43.7	247.9%	56.4%
Provision For Tax	3.5	3.0	(1.9)	8.8	37.1	971.2%	319.6%
PAT	9.1	16.0	9.7	19.1	6.5	-27.9%	-65.7%

Ahead of estimates, led by improvement in NIMs; Fees grew ~16/14%, w/w retail fees grew 21%

Similar rise in other opex and staff costs; Added ~16k (net) employees and 346 branches in 12m. Retirement benefit provisions too, were higher

Dented by DTA mark-down of ~Rs 29bn

Balance Sheet items/ratios

Deposits	5,587	6,068	6,529	6,607	6,963	24.6%	5.4%
CASA (%)	50.75	49.34	49.61	45.23	46.68	-408 bps	144 bps
Advances	5,445	5,643	5,866	5,924	6,134	12.6%	3.5%
CD Ratio (%)	97.5	93.0	89.8	89.7	88.1	-937 bps	-157 bps
CAR (%)	17.8	17.2	16.9	16.2	16.1	-170 bps	-5 bps
Tier I (%)	15.4	15.1	15.1	14.6	14.6	-76 bps	2 bps

Led by CASA growth of ~15/9% (CA +18% and SA +6% QoQ)

Domestic loans grew 16/4% w/w retail grew ~22/5%

Profitability

Yield On Advances (%)	8.79	9.00	9.29	9.36	9.52	73 bps	16 bps
Cost Of Funds (%)	5.00	5.14	5.20	5.23	5.19	19 bps	-4 bps
NIM (%)	3.30	3.40	3.72	3.61	3.64	34 bps	3 bps
Cost-Income Ratio (%)	45.2	42.9	44.5	43.7	43.9	-127 bps	23 bps
Tax Rate (%)	27.6	15.6	(24.0)	31.7	85.0	5740 bps	5332 bps

Domestic NIMs at 3.92%; Adjusted for the impacts of int on IT refund and recoveries, NIMs were ~10bps higher QoQ

Asset quality

Gross NPA (Rs bn)	544.9	515.9	462.9	457.6	456.4	-16.2%	-0.3%
Net NPA (Rs bn)	220.9	162.5	135.8	118.6	109.2	-50.6%	-7.9%
Gross NPAs (%)	8.54	7.75	6.70	6.49	6.37	-217 bps	-12 bps
Net NPAs (%)	3.65	2.58	2.06	1.77	1.60	-205 bps	-17 bps
Delinquency ratio (%)	2.35	1.51	2.47	1.89	1.65	-70 bps	-24 bps
Calc. Coverage Ratio (%)	59.5	68.5	70.7	74.1	76.1	1661 bps	199 bps

Slippages (-11% QoQ) and WOs (-44% QoQ)

Retail slippages Rs 13.2bn and corp and SME Rs 11.6bn (Rs 3.7bn from BB and below)

Change In Estimates

Rs bn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	311.8	317.7	1.9%	372.5	370.4	-0.6%
PPOP	272.5	276.5	1.5%	336.8	329.5	-2.2%
PAT	110.8	85.1	-23.2%	172.8	162.1	-6.2%
Adj. BVPS (Rs)	156.3	154.6	-1.1%	180.9	178.3	-1.4%

Best in class; Reported coverage at ~85%

Source: HDFC sec Inst Research

~13% YoY de-growth in the overseas book (10% of loans) constrained overall loan growth to ~13/4%

Domestic book grew ~16/4%

ICICIBC re-classified domestic and corporate loans, to incl. SME borrowers with turnovers between ~Rs 2.5-7.5bn in corporate loans

Adjusted for re-classification, the domestic corporate loans grew ~3/10% while SME loans grew ~30/3%

Incrementally, ~90% of the Corp disbursals were rated A- or above

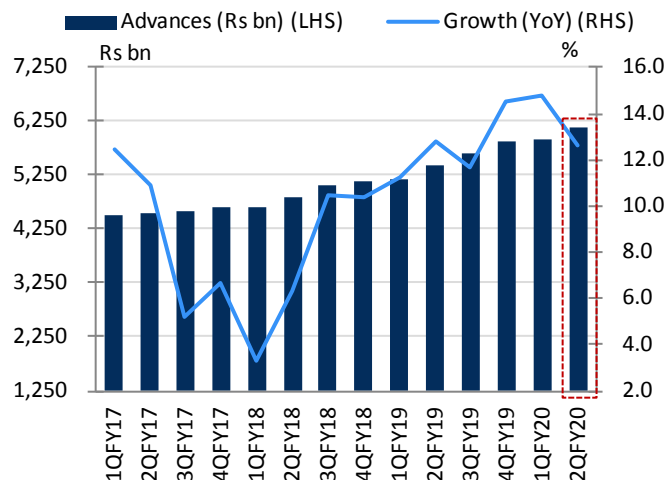
Within the retail book, PL grew ~50/10% YoY/QoQ and CC grew ~40/7% on small bases

The Top 3 exposures, sector wise were retail finance (39%), banks (8%) and financial services (7%)

Telecom exposure at 1.8% of (largely to top 2 players)

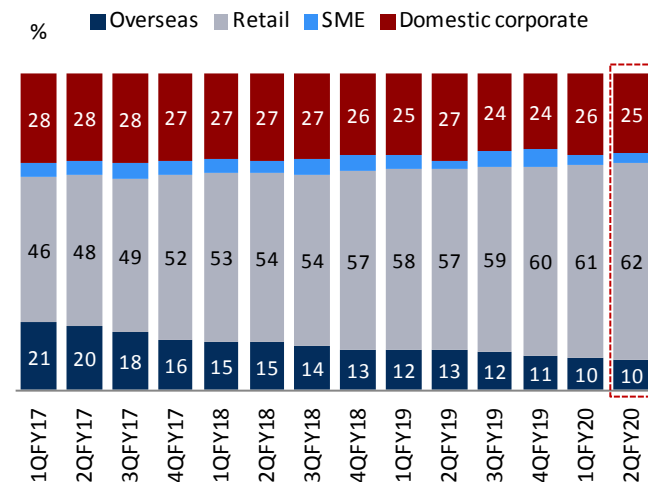
The share of Top 20 borrowers as a % of total exposure decreased to 11.1% from ~11.4% QoQ

Advances Grew By ~13/4% YoY/QoQ



Source: Company, HDFC sec Inst Research

Advances Mix: Retail Continues To Gain Share



Source: Company, HDFC sec Inst Research

Retail Loans Break-Up: Robust Growth Continues In The Unsecured Book

(%)	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Home	54.0	54.3	54.3	54.6	53.2	53.6	53.5	52.9	51.8	52.0	51.6	51.4	50.5	50.6	50.1
Vehicle	17.4	17.4	17.1	17.2	16.9	16.7	16.5	16.4	16.2	16.0	15.7	15.9	15.8	15.4	14.9
Other secured	21.0	20.3	20.4	19.5	20.9	20.3	20.3	20.6	21.6	21.0	21.3	20.9	21.4	20.8	21.2
PL	5.0	5.2	5.4	5.7	5.9	6.1	6.4	6.8	7.2	7.5	8.0	8.3	8.8	9.5	9.9
CC & Others	2.7	2.8	2.8	3.2	3.1	3.3	3.2	3.3	3.2	3.5	3.4	3.4	3.5	3.8	3.9

Source: Company, HDFC sec Inst Research

CASA deposits grew ~15/9% YoY/QoQ to form 46.7% of total deposits

On an avg basis, CASA ratio dipped ~120bps to 42.2%

CA/SA grew ~17/6% QoQ

TDs grew ~35/3% YoY/QoQ

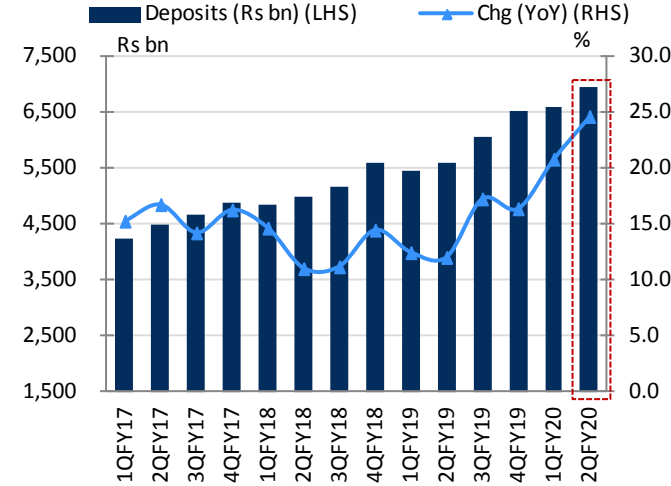
Reported NIMs improved ~34bps YoY to 3.4%, as domestic NIMs improved ~21bps to 3.92%

Adjusted for (1) Int on income tax reversals, and (2) Int on recoveries, NIMs were ~10bps higher QoQ

Overseas NIMs jumped 36/8bps YoY/QoQ to 41bps

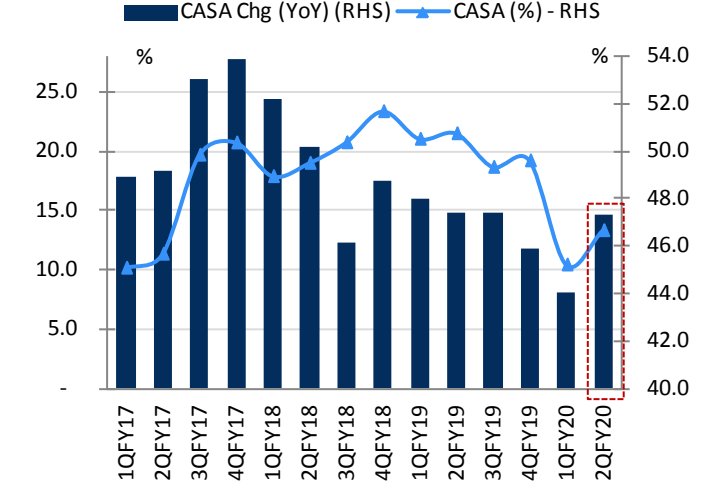
In spite of the sharp NIM improvement seen over the trailing 12 months, increase in high yielding loans as a % of the book, we have marginally lowered our NIM estimates, due to uncertainty of the impact of EB-linked loans

Deposits Grew ~25/5% YoY/QoQ



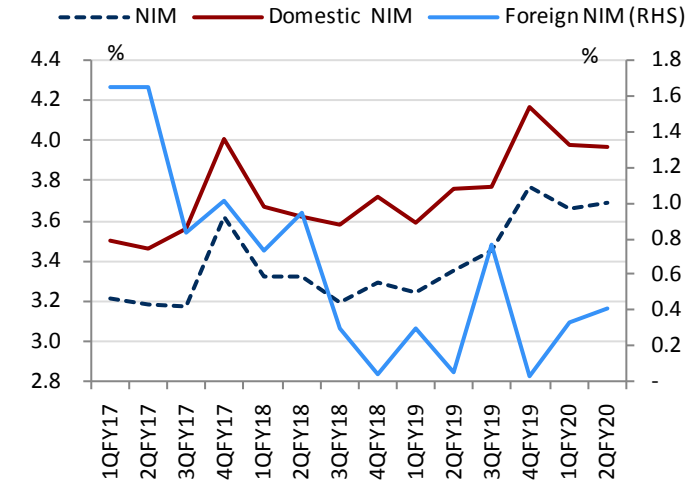
Source: Bank, HDFC sec Inst Research

Terminal CASA Ratio Increased 140bps QoQ



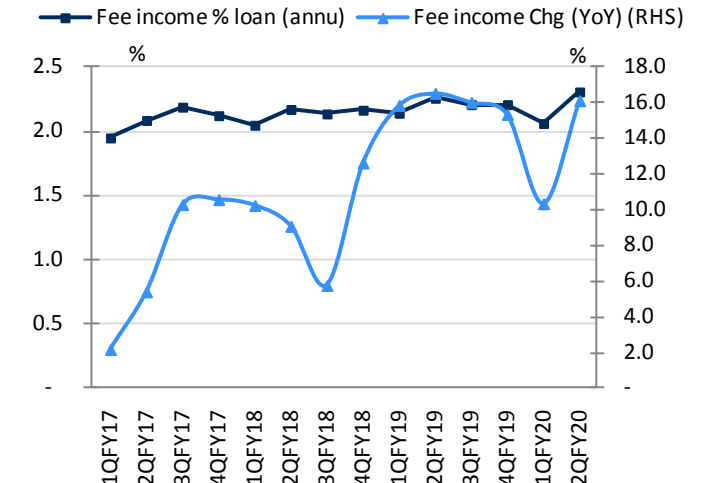
Source: Bank, HDFC sec Inst Research

NIMs Improved 34/3bps YoY/QoQ



Source: Bank, HDFC sec Inst Research

Fee Growth Led By Retail Fees (74% Of Total Fees)



Source: Bank, HDFC sec Inst Research

Retail fees grew 21% to form 74% of total fees vs. 72% QoQ

Treasury gains were ~90% higher QoQ vs. a loss in 2QFY19

**Slippages were ~11% lower QoQ
Corp slippages dipped 9% QoQ to Rs 11.6bn**

~56% of corporate slippages were from the BB and below rated pool

Retail slippages were ~12% lower QoQ at Rs 13.2bn

Retail GNPA's jumped ~8% QoQ to Rs 75.4bn i.e. 2.0% and NNPA's rose ~9% to Rs 32.2bn (0.84%)

BB and below rated exposures inched up 5bps QoQ to Rs 161bn (+5% QoQ) as gross additions of Rs 20.7bn, exceeded outflows (recoveries and upgrades of ~Rs 9.9bn and slippages of ~Rs 3.7bn)

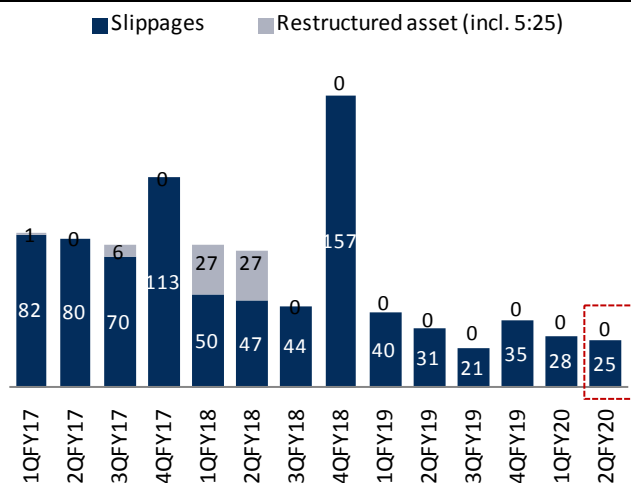
The management expects inflows into the pool of BB and below rated exposures to increase.

Sharp Fee and Treasury Growth

Rs bn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Treasury	21.9	7.7	64.1	8.9	5.0	8.6	21.9	0.7	26.9	7.7	(0.4)	4.8	1.6	1.8	3.4
Fees	22.1	21.6	23.6	25.0	24.5	23.8	25.7	26.4	27.6	27.5	30.0	30.6	31.8	30.4	34.8
Others	7.1	5.1	3.5	5.5	0.7	1.5	4.2	4.6	2.4	3.3	2.0	3.4	2.9	2.1	3.8
Total	51.1	34.3	91.2	39.4	30.2	33.9	51.9	31.7	56.8	38.5	31.6	38.8	36.2	34.3	42.0
% of Total	48.6	39.9	63.5	42.3	33.6	37.7	47.6	35.7	48.5	38.7	33.0	36.1	32.2	30.7	34.2

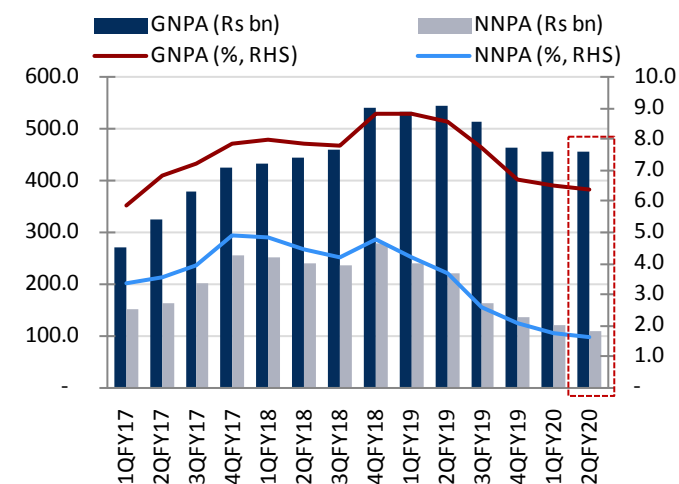
Source: Bank, HDFC sec Inst Research

Slippages Dip QoQ



Source : Bank, HDFC sec Inst Research

G/NNPA % Dips Sequentially



Source: Bank, HDFC sec Inst Research

Asset Quality Movement: Stable GNPA's Led By Lower Slippages

Rs bn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Opening	211.5	262.2	271.9	325.5	380.9	425.5	431.5	444.9	460.4	540.6	534.6	544.9	515.9	462.9	457.6
Additions	70.0	82.5	80.3	70.4	112.9	49.8	46.7	43.9	157.4	40.4	31.2	20.9	35.5	27.8	24.8
Slippages (%)	6.44	7.46	7.11	6.17	9.80	4.29	3.95	3.55	12.37	3.14	2.35	1.51	2.47	1.89	1.65
Recoveries	7.8	7.9	8.0	6.3	14.1	27.8	10.3	11.1	42.3	20.4	10.1	19.2	15.2	9.3	12.6
W/O	1.5	66.2	22.4	8.8	54.1	16.1	23.0	17.2	34.8	26.0	10.9	30.7	73.2	23.8	13.3
Closing	272.2	270.6	321.8	380.9	425.5	431.5	444.9	460.5	540.6	534.6	544.9	515.9	462.9	457.6	456.5

Source : Bank, HDFC sec Inst Research

Peer Set Comparison

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
KMB #	3,031	1,588	NEU	1,628	239	277	323	37.7	31.1	25.2	5.39	4.53	3.78	14.9	15.1	15.7	1.96	2.01	2.07
ICICIBC #	3,030	469	BUY	510	155	178	207	27.3	14.1	10.2	2.33	1.99	1.68	6.9	12.8	15.4	0.83	1.40	1.65
AXSB#	1,995	708	BUY	958	272	314	363	33.2	15.1	12.3	2.50	2.16	1.87	7.5	13.7	14.8	0.68	1.31	1.41
IIB	901	1,272	BUY	1,904	515	581	688	17.1	13.4	10.7	2.47	2.19	1.85	16.5	16.6	18.1	1.73	1.86	1.94
RBL	112	260	NEU	294	161	179	214	20.6	11.1	7.7	1.62	1.46	1.22	7.0	12.0	15.4	0.62	0.98	1.18
FB	159	80	BUY	119	63	74	85	9.4	7.8	6.2	1.27	1.09	0.95	12.2	13.2	14.8	1.00	1.04	1.13
CUB	154	210	BUY	261	68	80	94	18.3	16.0	14.0	3.07	2.62	2.24	16.0	15.8	15.5	1.72	1.69	1.65
DCBB	54	175	BUY	243	97	113	130	13.2	10.8	8.6	1.80	1.55	1.34	12.4	13.5	14.9	1.07	1.14	1.22
KVB	44	56	BUY	89	52	61	67	12.2	6.9	4.4	1.06	0.91	0.83	5.6	9.6	14.6	0.50	0.79	1.11
SBIN#	2,513	282	BUY	389	182	215	250	10.5	6.6	4.9	1.11	0.93	0.77	7.6	10.9	13.0	0.45	0.64	0.77
AUBANK	209	690	BUY	807	121	148	184	30.7	22.3	17.3	5.68	4.66	3.76	18.1	19.6	20.8	1.80	1.91	1.93

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

Income Statement

(Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	549.7	634.0	729.9	843.3	974.8
Interest Expended	319.4	363.9	412.2	472.9	539.6
Net Interest Income	230.3	270.1	317.7	370.4	435.2
Other Income	174.2	145.1	167.6	192.6	219.6
<i>Fee Income (CEB)</i>	87.9	102.3	117.3	136.0	159.4
<i>Treasury Income</i>	57.9	13.4	17.5	20.5	20.5
Total Income	404.5	415.3	485.3	563.0	654.8
Total Operating Exp	157.0	180.9	208.7	233.5	259.0
<i>Employee Expense</i>	59.1	68.1	81.9	90.4	97.5
PPOP	247.4	234.4	276.5	329.5	395.8
Provisions & Contingencies	171.1	196.6	137.4	112.9	104.3
<i>Prov. For NPAs (Incl. Std Prov.)</i>	145.2	168.1	139.9	115.2	106.3
PBT	76.3	37.8	139.1	216.6	291.5
Provision For Tax	8.6	4.1	54.0	54.5	73.4
PAT	67.8	33.6	85.1	162.1	218.1

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	12.9	12.9	12.9	12.9	12.9
Reserves	1,038.7	1,070.7	1,141.7	1,275.4	1,458.1
Shareholders' Funds	1,051.5	1,083.6	1,154.6	1,288.3	1,471.0
<i>Savings</i>	2,009.7	2,276.7	2,561.3	2,881.5	3,169.6
<i>Current</i>	889.6	962.7	1,059.0	1,164.9	1,281.3
<i>Term Deposit</i>	2,710.5	3,289.8	3,914.9	4,600.0	5,381.9
Total Deposits	5,609.8	6,529.2	7,535.1	8,646.3	9,832.9
Borrowings	1,828.6	1,653.2	1,735.9	1,909.5	2,195.9
Other Liabilities	302.0	378.5	442.9	509.3	570.4
Total Liabilities	8,791.9	9,644.6	10,868.4	12,353.4	14,070.2
APPLICATION OF FUNDS					
Cash & Bank Balance	841.7	803.0	831.2	939.5	1,041.8
Investments	2,029.9	2,077.3	2,317.3	2,519.8	2,728.2
<i>G-Secs</i>	1,391.9	1,479.2	1,695.4	1,902.2	2,114.1
Advances	5,124.0	5,866.5	6,779.6	7,909.2	9,268.5
Fixed Assets	79.0	79.3	80.9	82.5	84.2
Other Assets	717.3	818.5	859.4	902.4	947.5
Total Assets	8,791.9	9,644.6	10,868.4	12,353.4	14,070.2

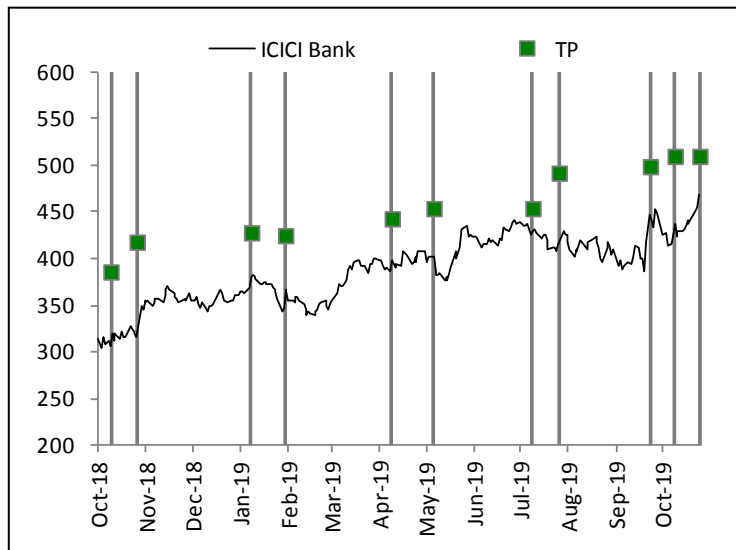
Source: Bank, HDFC sec Inst Research

Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	10.5	5.2	13.2	25.1	33.8
Earnings Growth (%)	(30.9)	(50.4)	153.0	90.5	34.6
BVPS (Rs)	163.6	168.1	179.1	199.8	228.2
Adj. BVPS (Rs)	110.7	137.7	154.6	178.3	206.8
DPS (Rs)	1.5	1.0	2.0	4.0	5.0
ROAA (%)	0.82	0.36	0.83	1.40	1.65
ROAE (%)	7.2	3.3	6.9	12.8	15.4
P/E (x)	35.8	70.3	27.3	14.1	10.2
P/ABV (x)	3.41	2.66	2.33	1.99	1.68
P/PPOP (x)	2.4	2.6	2.2	1.8	1.5
Dividend Yield (%)	0.3	0.2	0.4	0.9	1.1
PROFITABILITY					
Yield On Advances (%)	8.37	8.72	8.92	8.98	9.01
Yield On Investment (%)	6.35	6.23	6.25	6.25	6.25
Cost Of Funds (%)	4.62	4.66	4.72	4.77	4.78
Cost Of Deposits (%)	4.46	4.37	4.43	4.43	4.44
Core Spread (%)	3.74	4.07	4.19	4.21	4.23
NIM (%)	3.21	3.37	3.54	3.60	3.69
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.9	2.0	2.0	2.0	2.0
Cost-Income Ratio (Ex. Treasury)	45.3	45.0	44.6	43.0	40.8
BALANCE SHEET STRUCTURE					
Loan Growth (%)	10.4	14.5	15.6	16.7	17.2
Deposit Growth (%)	14.5	16.4	15.4	14.7	13.7
C/D Ratio (%)	91.3	89.8	90.0	91.5	94.3
Equity/Assets (%)	12.0	11.2	10.6	10.4	10.5
Equity/Advances (%)	20.5	18.5	17.0	16.3	15.9
CASA (%)	51.7	49.6	48.0	46.8	45.3
Capital Adequacy Ratio (CAR, %)	18.4	16.9	16.4	15.7	15.3
W/w Tier I CAR (%)	15.9	15.1	14.8	14.3	14.1

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs bn)	532.4	456.8	416.6	376.1	355.1
Net NPLs (Rs bn)	278.2	134.5	99.6	83.6	85.3
Gross NPLs (%)	8.84	6.70	6.14	4.75	3.83
Net NPLs (%)	4.77	2.06	1.47	1.06	0.92
Slippages (%)	5.86%	1.93%	1.90%	1.70%	1.60%
Coverage Ratio (%)	47.7	70.6	76.1	77.8	76.0
Provision/Avg. Loans (%)	3.0	3.1	2.2	1.6	1.2
ROAA TREE					
Net Interest Income	2.79%	2.93%	3.10%	3.19%	3.29%
Non-interest Income	2.11%	1.57%	1.63%	1.66%	1.66%
Treasury Income	0.70%	0.15%	0.17%	0.18%	0.16%
Operating Cost	1.90%	1.96%	2.04%	2.01%	1.96%
Provisions	2.07%	2.13%	1.34%	0.97%	0.79%
<i>Provisions For NPAs</i>	<i>1.73%</i>	<i>1.82%</i>	<i>1.36%</i>	<i>0.99%</i>	<i>0.80%</i>
Tax	0.10%	0.04%	0.53%	0.47%	0.56%
ROAA	0.82%	0.36%	0.83%	1.40%	1.65%
Leverage (x)	8.05	8.63	9.16	9.51	9.58
ROAE	6.61%	3.15%	7.60%	13.27%	15.81%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
9-Oct-18	311	BUY	386
27-Oct-18	323	BUY	418
8-Jan-19	368	BUY	428
31-Jan-19	365	BUY	425
9-Apr-19	387	BUY	443
7-May-19	401	BUY	454
9-Jul-19	426	BUY	454
29-Jul-19	416	BUY	492
22-Sep-19	418	BUY	499
9-Oct-19	437	BUY	510
27-Oct-19	469	BUY	510

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- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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