

## Q1FY21 Result Update ICICI Bank Ltd.

### Liability franchise strengthens; raise TP

ICICI Bank (ICICI) reported an impressive Q1FY21 earnings with higher COVID-19, related provisions getting absorbed by profit from stake sale in its insurance businesses, along with lower tax. Net profit rose 36% YoY, in line with our estimates. The management's focus in Q1 was to strengthen its Balance Sheet by: a) Maintaining higher liquidity by boosting deposits; and b) Adequate provisioning to reduce the risk of potential stress. Asset quality improved marginally with gross and net non-performing assets (NPA) improving 5bps/20bps QoQ to 6%/1.3%, respectively. Overall provisioning coverage ratio (excluding technical write-offs) rose 290bps QoQ to 78.6%, the highest ever recorded by the bank. Though advances will continue to grow at a slower pace due to: a) Extended lockdown in many parts of India; and b) Plan to slowly phase down its international business, the management said it would grow by taking calibrated risk. ICICI continues to remain our top pick in the banking sector due to: a) Adequate provisioning buffer; b) Under control moratorium loans; c) More than adequate capital given the recent fund raise announcement; d) Phenomenal strength shown by its liability franchise in spite of reducing deposit rates; and e) No near term challenge regarding change in its top management. Based on sum of the parts (SoTP) valuation, we revise our target price to INR 525 per share from INR 480 earlier.

#### Stake sale in insurance business led to healthy operating performance

During Q1, ICICI sold part of its stake in ICICI Prudential Life Insurance and ICICI Lombard General Insurance for a profit of INR 30 billion, which accounted for the rise in non-interest income. This led to a revenue growth of 38% YoY, and along with impressive cost saving, resulted in a pre-provisioning operating profit (PPOP) growth of 71%. Cost-to-income ratio improved 1,354bps YoY to 30.1%. Excluding stake sale profit, C/I ratio would have been 37%, again an impressive improvement.

#### Marginal improvement in asset quality

Slippages stood at INR 1,160 crore (down 78% QoQ) due to: a) Days past due (DPD) freeze on accounts under moratorium; and b) Q4FY20 witnessed one-off slippages from 2 offshore accounts. Of this, that from corporates and small and medium enterprises (SME) and retail stood at INR 558 crore (down 86% QoQ) and INR 602 crore (down 53% QoQ), respectively. Smaller slippages, along with lower recoveries and write-offs, led to a 5bps/20bps QoQ improvement in GNPA/NNPA at 6%/1.3%, respectively. However, true picture of the asset quality will only be visible after the end of moratorium period (towards the end of Q2FY21).

#### Growth in advances led by retail and SME; term deposits boost deposit growth

Loans and advances grew 6.5% YoY to INR 6,312 billion, driven by retail and SME book. Retail book grew 11% to INR 4,046 billion, constituting 64% of overall loan book. Loans to SMEs grew 18% to INR 209 billion. Corporate loan book grew 5% to INR 1,587 billion. The management's plan to reduce its overseas book resulted in the latter de-growing for 17 quarters in a row. Even in Q1, this book de-grew 21% and now constitutes only 7.5% of overall loan book as against 21% in Q1FY17. Deposits increased 21.3% to INR 8,016 billion, current accounts-savings account rose 14% and term deposits grew 27%. This led to a 274bps/262bps YoY/QoQ contraction in CASA ratio, respectively, to 42.5%.

#### Outlook and valuation: Domestic growth momentum to continue; maintain BUY

Ascertaining the impact of COVID-19 may be challenging at the current juncture, however ICICI has continued to impress with its performance over the last few quarters. Given the management's focus on risk calibrated growth, higher liquidity stance, strengthening capital and granular loan book growth, ICICI deserves to be our top pick in the banking sector. Based on our revised SoTP model, we revise our target price to INR 525 from INR 480 earlier. We maintain our 'BUY' rating.

| Year to March (INR crore) | FY18   | FY19   | FY20   | FY21E  | FY22E  |
|---------------------------|--------|--------|--------|--------|--------|
| Revenue                   | 40,445 | 41,526 | 49,715 | 57,702 | 60,722 |
| PPOP                      | 24,741 | 23,437 | 28,101 | 34,234 | 34,699 |
| PAT                       | 6,777  | 3,363  | 7,930  | 13,780 | 13,916 |
| EPS                       | 10.4   | 5.2    | 12.2   | 21.2   | 21.4   |
| Adjusted BV               | 111    | 130.7  | 145.9  | 153    | 160.7  |
| RoA (%)                   | 0.9    | 0.4    | 0.8    | 1.2    | 1.1    |
| RoE (%)                   | 6.7    | 3.2    | 7.2    | 11.7   | 11     |
| P/E (X)                   | 22.3   | 44.6   | 19.0   | 10.9   | 10.8   |
| P/ABV (X)                 | 2.1    | 1.8    | 1.6    | 1.5    | 1.4    |

Source: Bloomberg consensus

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**CMP: INR 382**

**Rating: BUY**

**Target price: INR 525**

**Upside: 37%**

| Bloomberg:                           | ICICI:IN |
|--------------------------------------|----------|
| 52-week range (INR):                 | 552/268  |
| Share in issue (crore):              | 648      |
| M-cap (INR crore):                   | 2,47,259 |
| Average daily volume BSE/NSE ('000): | 41,673   |
| Promoter holding (%)                 | -        |

Date: July 27, 2020

## Q1FY21 result highlights

| INR crore                        | Q1FY21        | Q1FY20        | Change (%)   | Q4FY20        | Change (%)    |
|----------------------------------|---------------|---------------|--------------|---------------|---------------|
| Interest earned                  | 19,924        | 17,980        | 10.8         | 19,189        | 3.8           |
| Interest expended                | 10,645        | 10,243        | 3.9          | 10,262        | 3.7           |
| <b>Net interest income (NII)</b> | <b>9,280</b>  | <b>7,737</b>  | <b>19.9</b>  | <b>8,927</b>  | <b>4</b>      |
| Other income                     | 6,143         | 3,425         | 79.3         | 4,255         | 44.4          |
| <b>Net revenue</b>               | <b>15,422</b> | <b>11,163</b> | <b>38.2</b>  | <b>13,182</b> | <b>17</b>     |
| <b>Operating expenses</b>        | <b>4,646</b>  | <b>4,874</b>  | <b>(4.7)</b> | <b>5,792</b>  | <b>(19.8)</b> |
| Employee expense                 | 2,166         | 1,953         | 10.9         | 2,235         | (3.1)         |
| Other expenditure                | 2,480         | 2,921         | (15.1)       | 3,557         | (30.3)        |
| <b>Operating profit</b>          | <b>10,776</b> | <b>6,288</b>  | <b>71.4</b>  | <b>7,390</b>  | <b>45.8</b>   |
| Provisions and contingencies     | 7,594         | 3,496         | 117.2        | 5,967         | 27.3          |
| <b>Profit before tax (PBT)</b>   | <b>3,183</b>  | <b>2,793</b>  | <b>14</b>    | <b>1,423</b>  | <b>123.7</b>  |
| Taxes                            | 583           | 885           | (34.1)       | 201           | 189.8         |
| <b>Profit after tax (PAT)</b>    | <b>2,599</b>  | <b>1,908</b>  | <b>36.2</b>  | <b>1,221</b>  | <b>112.8</b>  |
| Adjustment                       | -             | -             | -            | -             | -             |
| <b>Adjusted PAT</b>              | <b>2,599</b>  | <b>1,908</b>  | <b>36.2</b>  | <b>1,221</b>  | <b>112.8</b>  |
| No. of equity shares (in crore)  | 648           | 645           | 0.4          | 647           | 0.1           |
| <b>Adjusted EPS (INR)</b>        | <b>4</b>      | <b>3</b>      | <b>35.7</b>  | <b>1.9</b>    | <b>112.7</b>  |

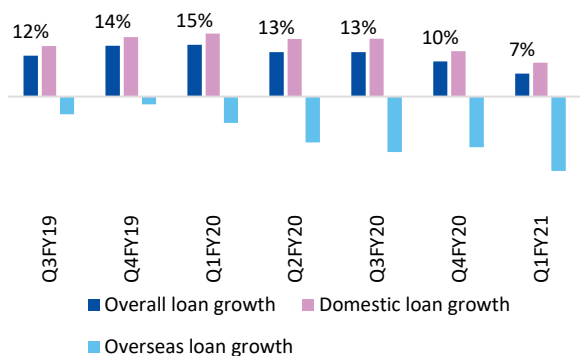
| Ratio (%)                      | Q1FY21 | Q1FY20 | Change (%) | Q4FY20 | Change (%) |
|--------------------------------|--------|--------|------------|--------|------------|
| <b>Ratio</b>                   |        |        |            |        |            |
| Cost-to-income ratio           | 30.1   | 43.7   | (1,354bps) | 43.9   | (1,381bps) |
| Yield on IEA (Reported)        | 7.93   | 8.4    | (47bps)    | 8.32   | (39bps)    |
| Cost of funds (Reported)       | 4.61   | 5.23   | (62bps)    | 4.92   | (31bps)    |
| Spread                         | 3.32   | 3.17   | 15bps      | 3.4    | (8bps)     |
| Net interest margin (Reported) | 3.69   | 3.61   | 8bps       | 3.87   | (18bps)    |
| Return on Assets (RoA)         | 1.0    | 0.8    | 14bps      | 0.5    | 47bps      |

| Balance Sheet (INR crore)       | Q1FY21   | Q1FY20   | Change (%) | Q4FY20   | Change (%) |
|---------------------------------|----------|----------|------------|----------|------------|
| Advances                        | 6,31,215 | 5,92,415 | 6.5        | 6,45,290 | (2.2)      |
| Deposits                        | 8,01,622 | 6,60,732 | 21.3       | 7,70,969 | 4          |
| Credit-to-deposit ratio         | 78.7%    | 89.7%    | (1,092bps) | 83.7%    | (496bps)   |
| Current account-savings account | 42.5%    | 45.2%    | (274bps)   | 45.1%    | (262bps)   |

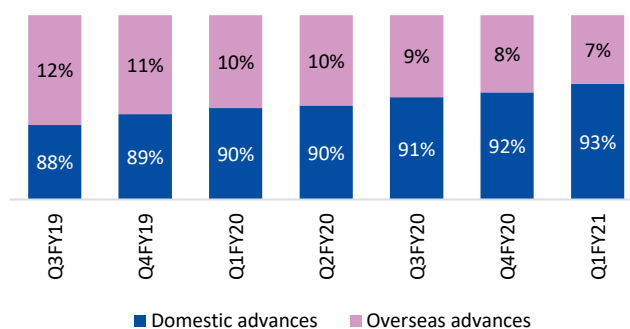
| Asset quality (INR crore)                | Q1FY21 | Q1FY20 | Change (%) | Q4FY20 | Change (%) |
|--|--------|--------|------------|--------|------------|
| Amount of gross NPAs                     | 40,386 | 45,763 | (11.7)     | 41,409 | (2.5)      |
| Amount of net NPAs                       | 8,675  | 11,857 | (26.8)     | 10,114 | (14.2)     |
| % of gross NPAs                          | 5.99   | 7.2    | (121bps)   | 6      | (5bps)     |
| % of net NPAs                            | 1.34   | 2      | (66bps)    | 1.5    | (20bps)    |
| Reported PCR (excl. technical write-off) | 78.6   | 74     | 460bps     | 75.7   | 290 bps    |

## Q1FY21 result highlights

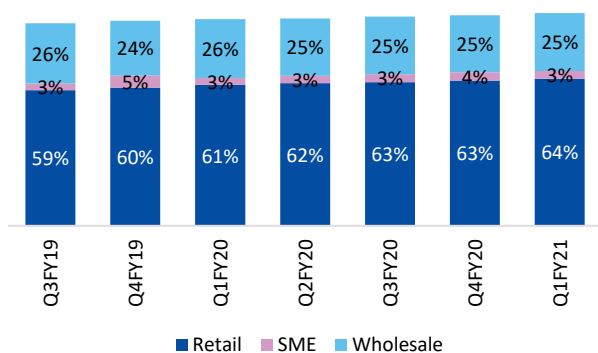
### Muted corporate loan growth and de-growth in overseas book dented overall loan growth



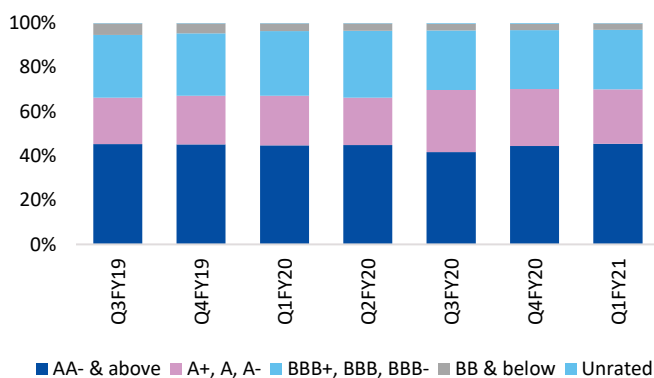
### Domestic loan share continues to increase



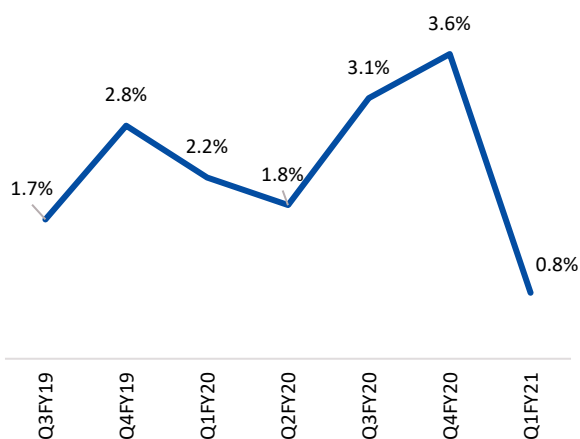
### Retail share in domestic advances continues to increase



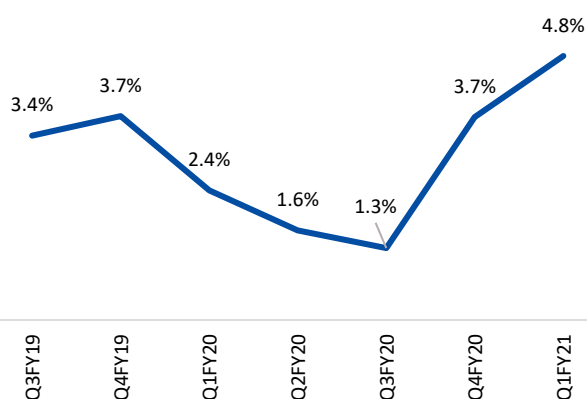
### Moving towards high quality accounts



### Slippage ratio moderates due to moratorium



### One-off COVID-19 provisioning led to higher credit cost



Source: Edelweiss Professional Investor Research

## Previous outlook

### Q2FY20 outlook

#### Outlook and valuation: Domestic growth momentum to continue; Maintain 'Buy'

We believe ICICI bank's overall performance to remain robust on back of: (1) Robust domestic loan growth (2) Softening credit cost (3) Return ratios to improve on back of softening of overall cost. Based on SOTP methodology, we have valued the stock at 2.6x FY21E ABV, valued its overseas subsidiary at INR 10 and valued its other subsidiaries at INR 96 to arrive at target price of INR 565, implying 18% upside. We maintain our 'BUY' recommendation on the stock.

### Q3FY20 outlook

#### Outlook and valuation: Domestic growth momentum to continue; Maintain 'Buy'

We believe ICICI bank's overall performance to remain robust on back of: (1) Robust domestic loan growth (2) Softening credit cost (3) Return ratios to improve on back of softening of overall cost. We revise our TP to INR 644 per share, rolling forward our valuation to FY22E and valuing the company at 2.5x FY22ABV along with valuation of subsidiary companies, implying 20% upside. We maintain our 'BUY' recommendation on the stock.

### Q4FY20 outlook

Since ascertaining the impact of the COVID-19 pandemic at this point would be difficult, we have cut our loan book growth, revenue and PAT estimates. We have also reduced our valuation multiple, arriving at a revised target price of INR 480 per share. However, considering the relatively higher proportion of retail loans in its overall book, a higher PCR and strong deposit franchise, the bank is best placed to weather this storm. We reiterate our BUY recommendation.

#### Q2FY20

#### Q3FY20

#### Q4FY20

**Six quarters at a glance**

| <b>Profit &amp; Loss Statement(INR crore)</b> | <b>Q4FY19</b> | <b>Q1FY20</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest income                               | 17,293        | 17,980        | 18,565        | 19,064        | 19,189        | 19,924        |
| Interest expense                              | 9,673         | 10,243        | 10,508        | 10,519        | 10,262        | 10,645        |
| <b>Net interest income</b>                    | <b>7,620</b>  | <b>7,737</b>  | <b>8,057</b>  | <b>8,545</b>  | <b>8,927</b>  | <b>9,280</b>  |
| Other income                                  | 3,621         | 3,425         | 4,194         | 4,574         | 4,255         | 6,143         |
| <b>Net revenue</b>                            | <b>11,241</b> | <b>11,163</b> | <b>12,252</b> | <b>13,119</b> | <b>13,182</b> | <b>15,422</b> |
| <b>Operating expense</b>                      | <b>5,008</b>  | <b>4,874</b>  | <b>5,378</b>  | <b>5,571</b>  | <b>5,792</b>  | <b>4,646</b>  |
| - Employee expense                            | 1,899         | 1,953         | 2,141         | 1,942         | 2,235         | 2,166         |
| - Other operating expenses                    | 3,109         | 2,921         | 3,236         | 3,629         | 3,557         | 2,480         |
| <b>Operating profit (PPOP)</b>                | <b>6,234</b>  | <b>6,288</b>  | <b>6,874</b>  | <b>7,549</b>  | <b>7,390</b>  | <b>10,776</b> |
| Provisions and contingencies                  | 5,451         | 3,496         | 2,507         | 2,083         | 5,967         | 7,594         |
| <b>Profit before tax (PBT)</b>                | <b>782</b>    | <b>2,793</b>  | <b>4,367</b>  | <b>5,465</b>  | <b>1,423</b>  | <b>3,183</b>  |
| Provision for tax                             | (187)         | 885           | 3,712         | 1,319         | 201           | 583           |
| <b>Profit after tax (PAT)</b>                 | <b>969</b>    | <b>1,908</b>  | <b>655</b>    | <b>4,146</b>  | <b>1,221</b>  | <b>2,599</b>  |
| EPS (INR)                                     | 1.5           | 3             | 1             | 6.4           | 1.9           | 4             |

| <b>Ratios (%)</b>                | <b>Q4FY19</b> | <b>Q1FY20</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cost-to-income ratio             | 44.5          | 43.7          | 43.9          | 42.5          | 43.9          | 30.1          |
| Yield on interest earning assets | 8.5           | 8.4           | 8.4           | 8.4           | 8.3           | 7.9           |
| Cost of funds                    | 5.2           | 5.2           | 5.2           | 5.1           | 4.9           | 4.6           |
| Spread                           | 3.3           | 3.2           | 3.2           | 3.3           | 3.4           | 3.3           |
| Net interest margin (NIM)        | 3.7           | 3.6           | 3.6           | 3.8           | 3.9           | 3.7           |
| Return on Assets (RoA)           | 0.4           | 0.8           | 0.3           | 1.7           | 0.5           | 1             |

| <b>Balance Sheet</b>    | <b>Q4FY19</b> | <b>Q1FY20</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Advances                | 5,86,647      | 5,92,415      | 6,13,359      | 6,35,654      | 6,45,290      | 6,31,215      |
| Deposits                | 6,52,920      | 6,60,732      | 6,96,273      | 7,16,345      | 7,70,969      | 8,01,622      |
| Credit-to-deposit ratio | 89.8%         | 89.7%         | 88.1%         | 88.7%         | 83.7%         | 78.7%         |
| CASA (%)                | 49.6%         | 45.2%         | 46.7%         | 46.9%         | 45.1%         | 42.5%         |

| <b>Asset quality</b>     | <b>Q4FY19</b> | <b>Q1FY20</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross NPA                | 46,292        | 45,763        | 45,639        | 43,454        | 41,409        | 40,386        |
| Net NPA                  | 13,577        | 11,857        | 10,916        | 10,389        | 10,114        | 8,675         |
| Gross NPA (%)            | 7.4           | 7.2           | 6.9           | 6.4           | 6             | 6             |
| Net NPA (%)              | 2.3           | 2             | 1.7           | 1.6           | 1.5           | 1.3           |
| Provision coverage ratio | 68.8%         | 72.2%         | 74.8%         | 75%           | 74.5%         | 77.6%         |

## Q1FY21 conference call highlights

- Around 17.5% of the book is under moratorium as on June 30 as against 30% as on April 30. About 90% of people who opted for Moratorium 2.0 were also a part of Moratorium 1.0. However, this book can increase by ~2% because there are customers who have not opted for the moratorium in June and still not paid their dues.
- Commercial vehicle (CV) and builder finance moratorium is higher than other portfolios.
- Overall footfall has increased at branches in June as compared to April and May.
- Net interest margin (NIMs) dropped by 18bps QoQ due to excess liquidity in the form of large influx of deposits and stake sale in subsidiaries.
- Incremental disbursements in Q1FY21 were largely to the bank's existing customers.
- **Mortgage (32% mix):** Home loans constitute 70% of total book, top-up loans: 8%, loans against property (LAP): 17% and office space: 5%. Of the total, 70% customers have existing relationships with the bank. In home loans, average ticket size (ATS) is INR 0.35 crore and loan-to-value (LTV) is 65%. In LAP, the management focuses on cash flow-based lending, LTV is 55%.
- **CV finance (4% mix):** Overall capacity utilisation is almost 80% of pre COVID-19 levels, whereas e-commerce has witnessed more than 100% capacity utilisation. Top 20 customers constitute 3% of overall book and customers with long vintage comprise 60%.
- **Auto loans (5% mix):** Enquiry level is 70-80% of pre-COVID levels, 87% book is new and 13% is used vehicles. Around 50% and 40% of new and used book, respectively, have an existing relationships with the bank.
- **Personal loans and credit card (9% mix):** Around 85% is salaried, of which, 75% customers are employed with multi-national companies (MNC) and the government. Delinquencies are lower than the industry average and among its private peers. About 97% of these customers under moratorium continue to receive salary. Credit card spends are 65% of pre-COVID levels.
- **Rural (9% mix):** Gold/kisan credit card comprise 3% each of overall book. Gold book witnessed 32% YoY growth. Disbursements in rural areas are at pre-COVID levels.
- **Business banking (4% mix):** Around 85% of the book has collateral cover of more than 100%.
- Focus in Q1FY21 and following quarters will be on: 1) Risk calibrated growth in operating profit; 2) Further enhancement of deposit franchise; 3) Focus on granularity and risk-return metric in loan book growth; 4) Leveraging its digital platform; 5) Protecting Balance Sheet from potential risks by maintaining adequate liquidity and PCR; and 6) Maintaining strong capital position.

### Company description

ICICI Bank is one of India's largest banks with an asset size of INR 1,139 lakh crore. The bank operates 5,324 branches and 15,661 ATMs. It has successfully created a large share of retail loans, constituting ~64% of total loans and advances. The bank enjoys almost market leadership in most of its businesses -- mortgages, auto loans, commercial vehicle loans, life insurance, general insurance and asset management -- either through direct operations or subsidiary companies. Its subsidiaries are ICICI Venture Funds, ICICI Prudential Asset Management Company, ICICI Securities, ICICI Prudential Life Insurance and ICICI Lombard General Insurance Company.

### Key risks

- Delay in economic activity may crimp growth and further deteriorate asset quality, which may impact our projections and target price.
- Prolonged coronavirus-led lockdown can increase provisioning and worsen asset quality for the bank.

## Financials

| Income statement (INR Crore) | FY18          | FY19          | FY20          | FY21E         | FY22E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest income              | 54,965        | 63,401        | 74,798        | 81,298        | 87,734        |
| Interest expended            | 31,940        | 36,386        | 41,531        | 44,723        | 48,184        |
| <b>Net interest income</b>   | <b>23,025</b> | <b>27,014</b> | <b>33,267</b> | <b>36,575</b> | <b>39,549</b> |
| Non-interest income          | 17,419        | 14,512        | 16,448        | 21,126        | 21,172        |
| Fee and forex income         | 10,534        | 12,136        | 13,960        | 15,611        | 17,707        |
| Miscellaneous income         | 1,082         | 1,009         | 1,194         | 1,697         | 1,864         |
| Investment profit            | 5,802         | 1,366         | 1,293         | 3,817         | 1,600         |
| <b>Net revenue</b>           | <b>40,445</b> | <b>41,526</b> | <b>49,715</b> | <b>57,702</b> | <b>60,722</b> |
| Operating expenses           | 15,703        | 18,089        | 21,614        | 23,467        | 26,022        |
| Employee expense             | 5,913         | 6,808         | 8,271         | 8,602         | 9,210         |
| Other operating expenditure  | 9,789         | 11,280        | 13,343        | 14,865        | 16,812        |
| <b>Pre-provision profit</b>  | <b>24,741</b> | <b>23,437</b> | <b>28,101</b> | <b>34,234</b> | <b>34,699</b> |
| Provisions                   | 17,306        | 19,661        | 14,053        | 15,860        | 16,143        |
| Loan loss provisions         | 17,306        | 19,661        | 14,053        | 15,860        | 16,143        |
| <b>Profit before tax</b>     | <b>7,434</b>  | <b>3,776</b>  | <b>14,048</b> | <b>18,373</b> | <b>18,555</b> |
| Provision for tax            | 657           | 413           | 6,117         | 4,593         | 4,638         |
| <b>Profit after tax</b>      | <b>6,777</b>  | <b>3,363</b>  | <b>7,930</b>  | <b>13,780</b> | <b>13,916</b> |
| Reported PAT                 | 6,777         | 3,363         | 7,930         | 13,780        | 13,916        |
| Diluted EPS (INR)            | 10.4          | 5.2           | 12.2          | 21.2          | 21.4          |
| Dividend per share (INR)     | 1.5           | 1             | 0             | 7             | 7             |
| Dividend payout (%)          | 16.6          | 22.2          | 0             | 38.2          | 37.8          |

| Growth ratios (%)                 | FY18 | FY19 | FY20  | FY21E | FY22E |
|-----------------------------------|------|------|-------|-------|-------|
| Growth in NII                     | 5.9  | 17.3 | 23.1  | 9.9   | 8.1   |
| Growth in fees                    | 8.3  | 15.2 | 15    | 11.8  | 13.4  |
| Growth in operating expenditure   | 6.4  | 15.1 | 19.4  | 8.5   | 10.8  |
| Growth in PPOP                    | 5.7  | 16.5 | 21.4  | 13.4  | 8.8   |
| Growth in pre-provisioning profit | (6)  | (5)  | 19.8  | 21.8  | 1.3   |
| Growth in provisions              | 13.8 | 13.6 | (28)  | 12.8  | 1.7   |
| Growth in net profit              | (31) | (50) | 135.8 | 73.7  | 0.9   |

| Operating ratios            | FY18 | FY19 | FY20 | FY21E | FY22E |
|-----------------------------|------|------|------|-------|-------|
| Yield on advances           | 8.3  | 8.7  | 9.3  | 8.8   | 8.6   |
| Yield on investments        | 6.8  | 7.1  | 7.4  | 7.2   | 7     |
| Yield on assets             | 7.3  | 7.5  | 7.9  | 7.6   | 7.4   |
| Cost of funds               | 4.4  | 4.4  | 4.5  | 4.3   | 4.2   |
| Net interest margin         | 3    | 3.2  | 3.5  | 3.4   | 3.3   |
| Cost of deposits            | 3.4  | 3.5  | 3.8  | 3.7   | 3.6   |
| Cost of borrowings          | 6    | 5.8  | 6    | 5.9   | 5.8   |
| Spread (BFSI)               | 2.9  | 3.1  | 3.4  | 3.2   | 3.2   |
| Cost-to-income ratio (BFSI) | 38.8 | 43.5 | 43.4 | 40.6  | 42.8  |
| Tax rate                    | 8.8  | 10.9 | 43.5 | 25    | 25    |



## Financials

| Balance Sheet (INR Crore)      | FY18           | FY19           | FY20             | FY21E            | FY22E            |
|--------------------------------|----------------|----------------|------------------|------------------|------------------|
| Equity capital                 | 1,291          | 1,289          | 1,294            | 1,294            | 1,294            |
| Reserves and surplus           | 101,050        | 104,261        | 112,094          | 120,608          | 129,258          |
| Net worth                      | 102,341        | 105,550        | 113,389          | 121,903          | 130,553          |
| Sub-bonds/preferential capital | 73,874         | 77,194         | 80,514           | 80,514           | 80,514           |
| Deposits                       | 560,975        | 652,919        | 770,968          | 898,178          | 1,040,989        |
| Borrowings                     | 108,984        | 88,125         | 82,382           | 48,605           | 26,641           |
| Other liabilities              | 30,196         | 37,851         | 47,995           | 51,556           | 45,256           |
| <b>Total liabilities</b>       | <b>876,371</b> | <b>961,641</b> | <b>1,095,250</b> | <b>1,200,758</b> | <b>1,323,954</b> |
| Loans                          | 512,395        | 586,646        | 645,289          | 706,673          | 796,747          |
| Cash and equivalents           | 84,169         | 80,296         | 119,155          | 123,249          | 130,780          |
| Gilts                          | 138,078        | 144,503        | 174,937          | 208,292          | 224,202          |
| Others                         | 64,915         | 63,228         | 74,594           | 79,603           | 85,054           |
| Fixed assets                   | 5,086          | 5,113          | 5,295            | 4,999            | 4,677            |
| Other assets                   | 71,726         | 81,852         | 75,977           | 77,939           | 82,490           |
| <b>Total assets</b>            | <b>876,371</b> | <b>961,641</b> | <b>1,095,250</b> | <b>1,200,758</b> | <b>1,323,954</b> |
| Book value per share (INR)     | 158.4          | 163.7          | 175.1            | 188.3            | 201.6            |
| Credit growth                  | 10.4           | 14.5           | 10.1             | 9.6              | 12.7             |
| Deposit growth                 | 14.4           | 16.3           | 18               | 16.5             | 15.9             |
| EA growth                      | 13.9           | 9.3            | 15.9             | 10.2             | 10.6             |
| Statutory liquidity ratio      | 20.6           | 19.5           | 20.5             | 22               | 21               |
| Credit-to-deposit ratio        | 95.3           | 93.5           | 87.1             | 81.9             | 79.6             |
| Low-cost deposits              | 51.6           | 49.6           | 45.1             | 45.6             | 44.2             |
| Provision coverage             | 48.4           | 70.6           | 75.5             | 71.1             | 67.5             |
| Gross NPA ratio                | 10.2           | 7.5            | 6.1              | 7                | 7.2              |
| Net NPA ratio                  | 5.4            | 2.3            | 1.5              | 2.1              | 2.4              |
| Incremental slippage           | 6              | 2              | 2.3              | 4.2              | 3.9              |
| Net NPA-to-equity              | 27.2           | 12.8           | 8.9              | 12.2             | 14.9             |
| Capital adequacy               | 18.4           | 16.8           | 16.1             | 15.7             | 15.3             |
| - Tier I                       | 15.9           | 15             | 14.7             | 14.3             | 13.9             |

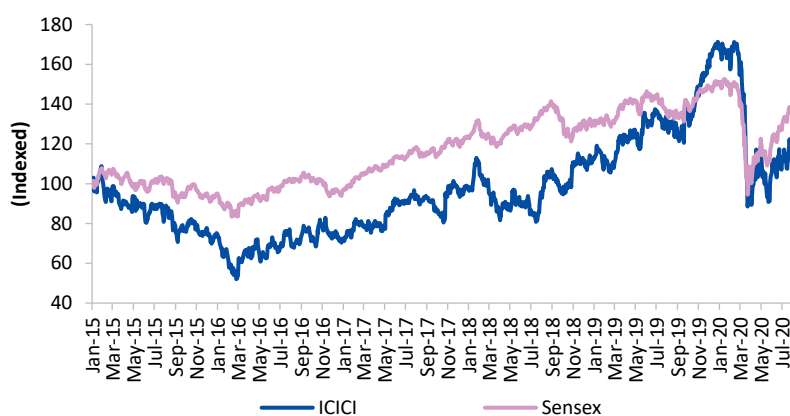
| Du Pont Analysis                   | FY18 | FY19 | FY20 | FY21E | FY22E |
|------------------------------------|------|------|------|-------|-------|
| Net interest income-to-assets      | 3    | 3.2  | 3.5  | 3.4   | 3.3   |
| Fees-to-assets                     | 1.5  | 1.5  | 1.6  | 1.6   | 1.6   |
| Investment profits-to-assets       | 0.7  | 0.1  | 0.1  | 0.3   | 0.1   |
| Net revenue-to-assets              | 5.3  | 4.9  | 5.2  | 5.4   | 5.1   |
| Operating expense-to-assets        | (2)  | (2)  | (2)  | (2)   | (2)   |
| Provisions-to-assets               | (2)  | (2)  | (1)  | (1)   | (1)   |
| Taxes-to-assets                    | 0    | 0    | (1)  | 0     | 0     |
| Total costs-to-assets              | (4)  | (4)  | (4)  | (4)   | (4)   |
| Return on Assets (BFSI)            | 0.9  | 0.4  | 0.8  | 1.2   | 1.1   |
| Equity-to-assets                   | 13.2 | 12.4 | 11.5 | 11    | 10.7  |
| Return on Average Equity (RoAE, %) | 6.7  | 3.2  | 7.2  | 11.7  | 11    |

| Valuation parameters | FY18  | FY19  | FY20  | FY21E | FY22E |
|----------------------|-------|-------|-------|-------|-------|
| Diluted EPS (INR)    | 10.4  | 5.2   | 12.2  | 21.2  | 21.4  |
| YoY growth (%)       | (37)  | (50)  | 134.8 | 73.7  | 0.9   |
| BVPS (BFSI)          | 158.4 | 163.7 | 175.1 | 188.3 | 201.6 |
| Adjusted BVPS (INR)  | 111   | 130.7 | 145.9 | 153   | 160.7 |

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| Rating        | Expected to  |
|---------------|--|
| <b>BUY</b>    | appreciate more than 15% over a 12-month period      |
| <b>HOLD</b>   | appreciate between 5% and 15% over a 12-month period |
| <b>REDUCE</b> | return below 5% over a 12-month period               |



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