

INDUSTRY	BANKS
<b>CMP (as on 31 Jul 2015)</b>	<b>Rs 302</b>
<b>Target Price</b>	<b>Rs 382</b>
Nifty	8,533
Sensex	28,115

**KEY STOCK DATA**

Bloomberg/Reuters	ICICBC IN/ICBK.BO
No. of Shares (mn)	5,805
MCap (Rs bn) / (\$ mn)	1,753/27,377
6m avg traded value (Rs mn)	4,604

**STOCK PERFORMANCE (%)**

	Rs 393/280		
	3M	6M	12M
Absolute (%)	(8.7)	(16.2)	2.8
Relative (%)	(12.8)	(12.5)	(5.8)

**SHAREHOLDING PATTERN (%)**

Promoters	-
FIs & Local MFs	22.33
FIIIs	40.25
Public & Others	37.42

Source : BSE

**Darpin Shah**

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

**Shivraj Gupta**

 shivraj.gupta@hdfcsec.com  
 +91-22-6171-7324

**Siji Philip**

 siji.philip@hdfcsec.com  
 +91-22-3021-2071

## Stable quarter

*ICICI Bank (ICICBC) reported a stable quarter with largely inline earnings. Led by lower slippages (Rs 16.7bn, w/w Rs 2.9bn from restructured book), gross stressed asset additions at Rs 36bn were lower QoQ. However, restructuring was higher QoQ at Rs 19.6bn. NIMs continue to remain healthy led by overseas NIMs (driven by lower CoF). Retail fees, dividend & repatriation income cushioned the non Int. inc. Retail loans incrementally contributed ~66% to domestic loans & avg. CASA % improved ~120bps QoQ to 41%.*

*ICICBC has gradually improved the B/S mix with higher contribution from granular business (Retail & SA). Further, improvements are visible in PL with better NIMs and higher contribution from retail fees (63% of total fees; growing at ~15%). While bank's strong liability franchise, increasing retail penetration & capital position provide comfort, its concentrated exposure to leveraged cos and risky sectors remain an overhang. ICICBC trades at ~1.7x FY17E Core-ABV. Maintain BUY.*

- Led by lower slippages from restructured pool (Rs 2.9bn), ICICBC's slippages (Rs 16.7bn) stood at 1.7%

ann. vs. 3.4% ann. QoQ. Further, along with W/Os & ARC sale of Rs 5bn each, GNPA's were flat QoQ at Rs 151bn (3.7%). With stable PCR (58%), NNPA's too were flat at Rs 63bn (1.6%). However, restructuring was higher QoQ at Rs 19.6bn vs. Rs 12.5bn. O/S. Std. restructured pool stands at Rs 126bn (3.2% vs. 28%) with the largest exposure at ~5% of the total O/S restructured book. The bank refinanced sub Rs 10bn under the 5:25 scheme. Mgmt indicated stressed addition (ex. slippages from restructured pool) to be lower in FY16 vs. Rs 89/104bn seen in FY15/14.

- NII (Rs 51.2bn) grew 14%, led by 15% loan growth and 14bps NIM expansion. Dividend (Rs 2bn), repatriation (Rs 3.5bn) income and fee growth of ~9% led to a ~5% YoY jump in non-int. inc. Provisions declined ~29% QoQ (with flat GNPA's) to Rs 9.6bn i.e. 97bps ann. Further with a lower tax rate of ~27%, PAT of Rs 29.8bn (+12%) was 4% higher than estimates.
- Retail segment (+25% YoY, 56% domestic share) continued to be the growth driver. Bank maintained its cautious stance on corp. segment, up by merely 9%. Avg. CASA (%) improved ~120bps QoQ to 41.1% Domestic CD ratio inched up 130bps QoQ at 85%.

FINANCIAL SUMMARY (Rs bn)	1QFY16	1QFY15	YoY (%)	4QFY15	QoQ (%)	FY14	FY15	FY16E	FY17E
Net Interest Income	51,151	44,919	13.9%	50,794	0.7%	164.8	190.4	219.2	254.9
PPOP	50,378	45,167	11.5%	54,683	-7.9%	165.9	197.2	220.3	259.8
PAT	29,762	26,553	12.1%	29,220	1.9%	98.1	111.8	126.9	151.9
EPS (Rs)	5.1	4.6	11.6%	5.0	1.7%	17.0	19.3	21.9	26.2
Core ROAE (%)						14.9	14.8	14.9	15.9
Core ROAA (%)						1.73	1.80	1.85	1.96
Adj. BVPS (ex invest) (Rs)						99	108	120	138
P/ABV (x)						2.62	2.35	2.04	1.72
P/E (x)						15.3	13.2	11.2	9.0

Source: Bank, HDFC sec Inst Research

## Guidance for FY16

- **Domestic loan growth of 18-20% led by 25% growth in retail book & 8-10% growth in corp book**
- **Avg CASA ratio to be maintained at 38-40%**
- **Stable NIMs & C-I ratio despite base rate cut & branch additions respectively**
- **Double digit fee growth driven by retail fees**

## QoQ fall in stressed asset formation, albeit on expected lines

- ICICIBC's gross stress asset additions stood at Rs 36bn (3.7% ann. vs. 4.7% QoQ & 3% YoY). Led by lower slippages from restructured pool (Rs 2.9bn), ICICIBC's slippages (Rs 16.7bn) stood at 1.7% ann. vs. 3.4% ann. QoQ. Further, along with W/Os & ARC sale of Rs 5bn each, GNPA's were flat QoQ at Rs 151bn (3.7%). With stable PCR (58%), NNPA's too were flat at Rs 63bn (1.6%).
- Retail GNPA's saw a marginal jump of ~7.5% QoQ to Rs 36.3bn (2.1% of retail book). With ~325bps QoQ decline in PCR (~67.5%), NNPA jumped ~20% QoQ to 11.8bn (0.7% of retail loans).
- However, restructuring was higher QoQ at Rs 19.6bn vs. Rs 12.5bn. O/S. Std. restructured pool stands at Rs 126bn (3.2% vs. 28%) with the largest exposure at ~5% of the total O/S restructured book.
- The bank refinanced sub Rs 10bn under the 5:25 scheme. Mgmt indicated stressed addition (ex. slippages from restructured pool) to be lower in FY16 vs. Rs 89/104bn seen in FY15/14.
- Given the challenges on the macro front and exposure to a few leveraged corp., we continue to build in elevated slippages/non-tax provisioning cost of avg. 1.5/0.95% over FY16-17E vs. 2.2/0.96% in FY15 respectively.

## Margin remains healthy

- ICICIBC's margins remain healthy at ~3.54% (+14bps YoY & flat QoQ) led by 25/17bps YoY/QoQ improvement in overseas NIMs (1.9%). Mgmt hinted, the sharp improvement in overseas NIMs was largely led by comfortable liquidity in overseas markets (thus

lower CoF). Domestic NIMs were marginally lower by 9bps QoQ to ~3.9% largely led by base rate cut of ~30bps; however were cushioned by lower slippages. The improvement was partly led by interest on tax refund of Rs 1bn. Stable CASA, increase in domestic business & lower impairment are expected to keep margins stable at current levels. **We estimate avg. NIM of 3.5% over FY16-17E vs. 3.4% in FY15.**

- Higher repatriation gain of Rs 3.5bn (vs. Rs 1.8bn QoQ & Rs 1bn in 1QFY15) coupled with dividend income of Rs 2bn drove non-int. inc. growth of ~5% Fees grew at 9% YoY driven by retail fee (63% of fees vs. 60% of total fees) growth of ~15%. **With steady growth in retail fees, dividend income from sub. and continued repatriation gains, we believe non int. inc. growth will remain strong.**

## Retail segment remains a growth driver

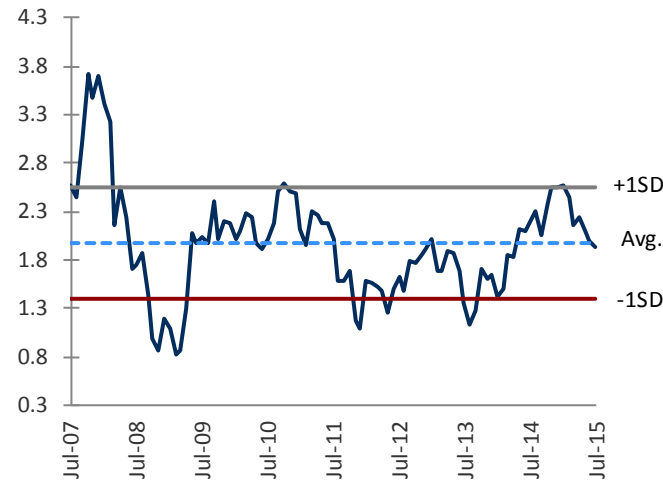
- ICICIBC continues to build granularity in its B/S, with a sharp rise in retail segment and moderate growth in the corporate segment. Loans grew 15% YoY driven by domestic loans (+17%). Within the domestic book, **retail segment grew ~25% YoY to form ~56% of domestic and ~43% of total loans.**
- Within retail segment, secured loans (Home, Auto and others) have a higher share of 93.2% while the remaining ~6.8% are unsecured loans viz personal loan, credit cards. **We expect 16% loan CAGR for FY15-17E led by retail segment and some pick up in corporate segment.**
- Deposits grew a mere ~10% YoY driven by CASA. Overall **CASA grew 12% to form 44.1% (+110bps YoY) of deposits.** However on daily avg. basis, **CASA ratio stood at 41.1%, +120bps QoQ.**

**SOTP**

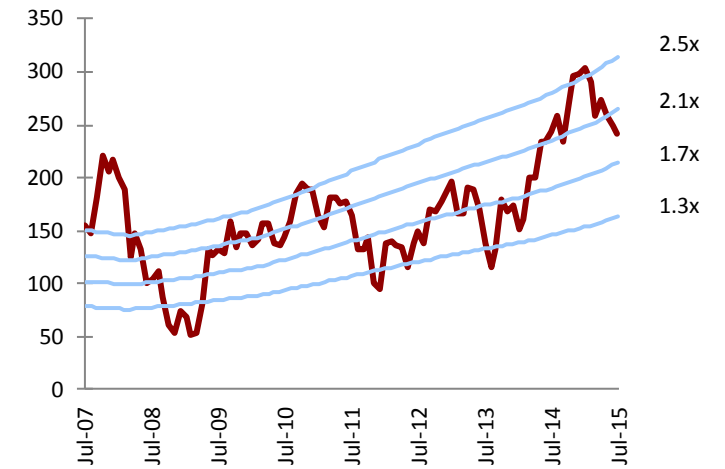
	Rs bn	Per Share	Rationale
ICICI Bank	1,832	316	2.3x FY17E ABV of Rs 138
ICICI Life	209	36	19% APE CAGR FY15-17E; NBAP Margin at 12%.
ICICI Non Life	49	8	10x FY17E PAT
ICICI AMC	29	5	5% of FY17E AUM
ICICI UK	36	6	1x FY17E BV
ICICI Canada	51	9	1x FY17E BV
ICICI Housing Finance	35	6	1.8x FY17E ABV
ICICI Sec	50	9	10x FY17E PAT
Others	14	3	I Ventures and others
<b>Total Val of Sub.</b>	<b>473</b>	<b>82</b>	
Less: 20% holding discount	95	16	
<b>Net Value of Sub.</b>	<b>378</b>	<b>65</b>	
<b>Total Value</b>	<b>2,210</b>	<b>382</b>	
<b>Current Value</b>	<b>1,752</b>	<b>302</b>	
<b>Upside</b>	<b>26.2</b>	<b>26.2</b>	

Source : HDFC sec Inst Research

**PABV band chart**



Source : Bank



Source : Bank

**FIVE QUARTER AT A GLANCE**

(Rs bn)	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	YoY Growth	QoQ Growth
Net Interest Income	44.9	46.6	48.1	50.8	51.2	13.9%	0.7%
Non Interest Income	28.5	27.4	30.9	35.0	29.9	4.9%	-14.5%
Treasury Income	3.9	1.4	4.4	7.3	2.1	-46.6%	-71.5%
Operating Income	73.4	74.0	79.0	85.8	81.0	10.4%	-5.5%
Operating Expenses	28.2	27.0	28.7	31.1	30.7	8.6%	-1.3%
Pre provision Profits	45.2	47.0	50.4	54.7	50.4	11.5%	-7.9%
Provisions and Contingencies	7.3	8.5	9.8	13.4	9.6	31.6%	-29.0%
PBT	37.9	38.5	40.6	41.2	40.8	7.7%	-1.0%
Provision for Tax	11.4	11.4	11.7	12.0	11.1	-2.6%	-7.9%
PAT	26.6	27.1	28.9	29.2	29.8	12.1%	1.9%

*Inline with estimates led by 14bps NIM improvement & 15% loan growth*

*Led by repatriation gain of Rs 3.5bn vs. Rs 1bn YoY & 9% fee growth YoY*

*Lower than estimated Provisions led to 4% PAT beat*

**Other details**
**Balance Sheet items/ratios**

Deposits (Rs bn)	3,358	3,521	3,553	3,616	3,679	9.6%	1.7%
CASA Deposits (Rs bn)	1,444	1,537	1,564	1,644	1,622	12.3%	-1.3%
Advances (Rs bn)	3,471	3,618	3,753	3,875	3,997	15.2%	3.2%
CD Ratio (%)	103.4	102.8	105.6	107.2	108.7	530 bps	148 bps
Domestic CD ratio (%)	80.5	79.5	81.2	83.8	85.1	460 bps	130 bps
CAR (%)	17.0	16.6	16.4	17.0	16.8	-25 bps	-27 bps
Tier I (%)	12.2	12.0	11.8	12.8	12.6	41 bps	-14 bps

*CASA % continues to improve, now stands at 44.1%. SA growth was strong at ~14% YoY*

*Driven by 25% growth in retail segment (~43% share); domestic corporate growth remains muted at 9% YoY*

**Profitability**

Yield on Advances calc. (%)	8.9	8.9	8.9	9.1	8.9	-3 bps	-21 bps
Cost of Funds calc. (%)	6.2	6.2	6.2	6.2	6.0	-16 bps	-13 bps
NIM (%)	3.4	3.4	3.5	3.6	3.5	14 bps	-3 bps
Cost-Income Ratio (%)	38.5	36.5	36.3	36.2	37.8	-64 bps	161 bps
Tax Rate (%)	30.0	29.6	28.8	29.1	27.1	-285 bps	-204 bps

*Led by base rate cut, but cushioned by lower slippages & rise in overseas NIMs*

**Asset quality**

Gross NPA (Rs bn)	108.4	115.5	130.8	150.9	151.4	39.6%	0.3%
Net NPA (Rs bn)	34.3	39.4	47.7	62.6	63.3	84.7%	1.3%
Gross NPAs (%)	3.1	3.1	3.4	3.8	3.7	63 bps	-10 bps
Net NPAs (%)	1.0	1.1	1.3	1.6	1.6	59 bps	-3 bps
Delinquency Ratio (%)	1.4	1.9	2.5	2.4	1.7	30 bps	-172 bps
Coverage Ratio (%)	68.4	65.9	63.5	58.6	58.2	-1022 bps	-40 bps

*Lower slippages & ARC sale of Rs 5bn led to stable GNPA's; Restructuring was higher QoQ at Rs ~20bn.*

**CHANGE IN ESTIMATES**

(Rs bn)	FY16E			FY17E		
	Old	New	Change	Old	New	Change
NII	220.4	219.2	-0.5%	256.3	254.9	-0.5%
PPOP	224.5	220.3	-1.9%	261.2	259.8	-0.5%
PAT	129.9	126.9	-2.3%	152.9	151.9	-0.6%
Adj. BVPS (Rs)	120.7	120.2	-0.4%	138.2	137.5	-0.5%

Source: Bank, HDFC sec Inst Research

**Domestic loans grew 17% YoY driven by continued healthy traction in retail (+25%) and SME (13%) segments**

**Retail segment now form 56% of domestic loans and 43% of total loans**

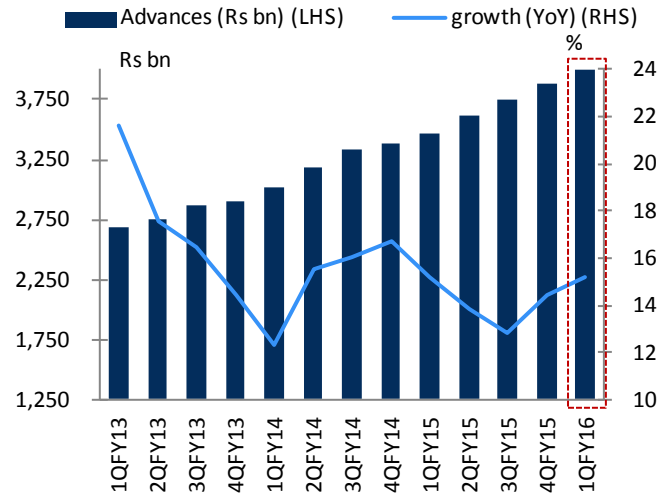
**Domestic corporate segment growth was muted at ~9%**

**Management expects domestic loans to grow higher than industry avg., driven by retail segment and marginal pick-up in corporate loans**

**Retail unsecured loans stood at 6.4% of retail segment. Within Auto loan, commercial vehicle share has fallen to multi qtr to 6.4%**

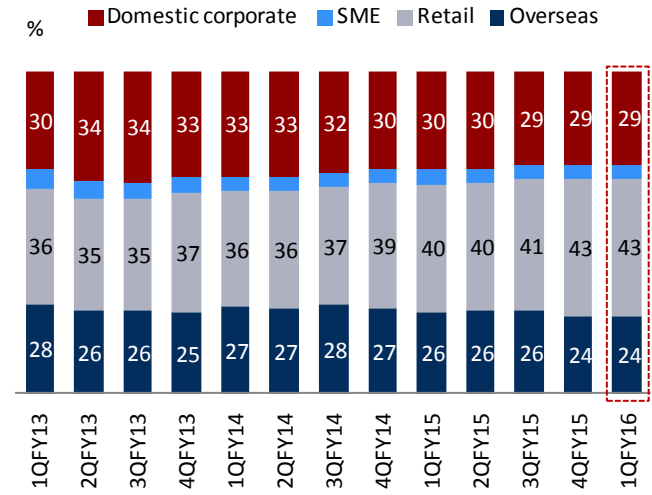
**Domestic CD ratio further inched up 130bps QoQ at ~85%**

**Advances grew 15% YoY & 3% QoQ**



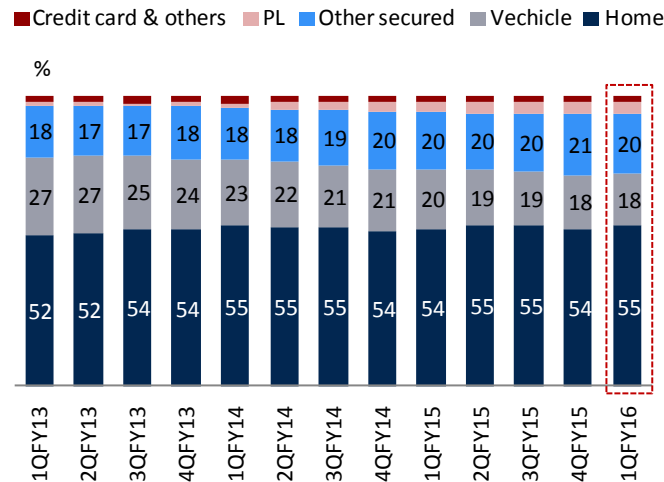
Source : Bank

**Advances mix: Share of retail segment on the rise**



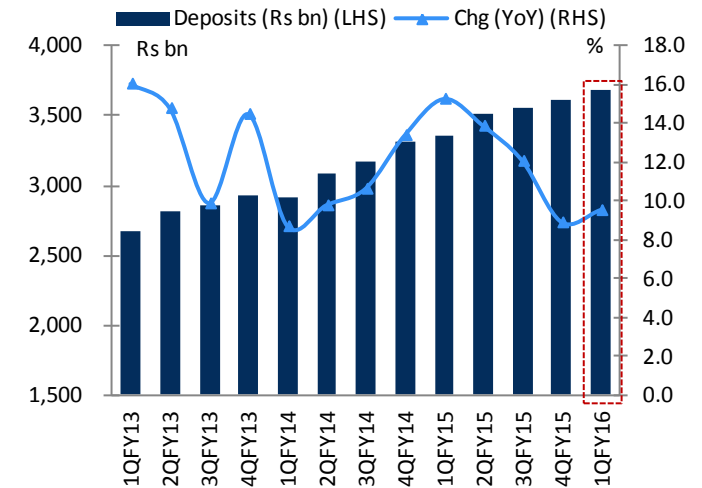
Source : Bank

**Retail mix: unsecured loan share stands at ~6.8%**



Source : Bank

**Deposits grew ~10% YoY & 2% QoQ**



Source : Bank

**SA grew ~14% & CA grew ~9% YoY**

**CASA ratio +110bps YoY to 44.1% while avg. CASA proportion improved 120bps QoQ to 41.1%**

**Domestic NIM stood at 3.90% +10/-9bps YoY/QoQ**

**Overall NIM improved 14/-3bps YoY/QoQ to 3.54%**

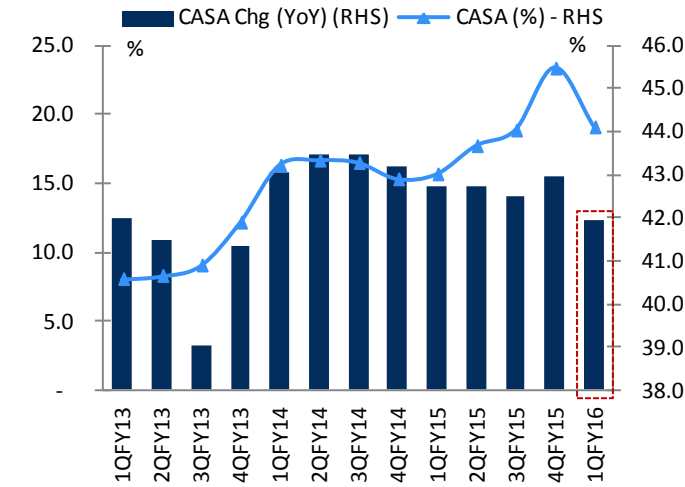
**Fee income growth remains muted led by lower credit off-take within domestic corporate segment**

**Retail fees contribute ~63% of total fees vs. 60% in 4Q**

**Slippages from restructured book was at a mere Rs 2.9bn**

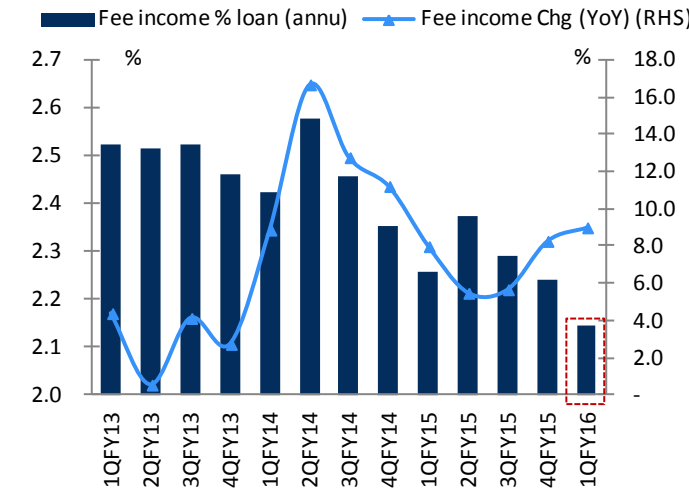
**Incremental restructuring at Rs 19.6bn**

**CASA : grew +12% YoY; ratio +110bps YoY**



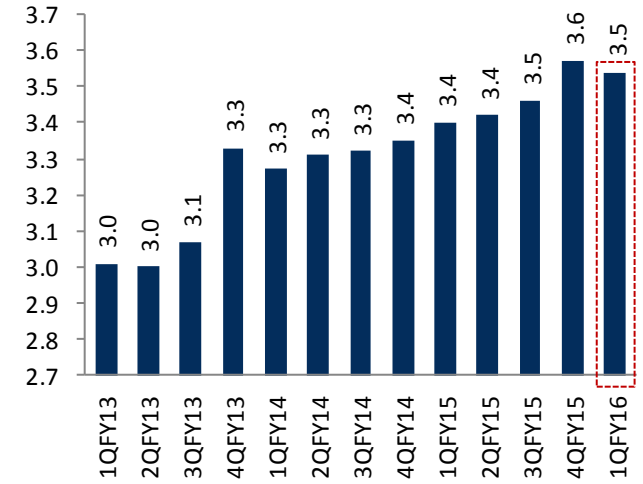
Source : Bank

**Fee income: +9% YoY**



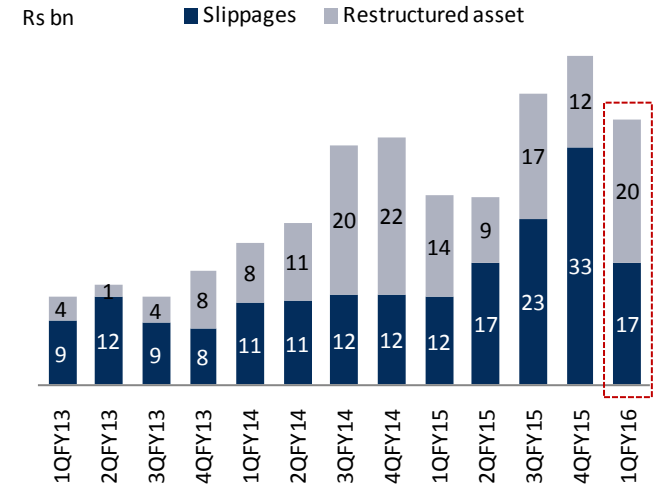
Source : Bank

**NIM flat QoQ at ~3.5%**



Source : Bank

**Gross stress was lower QoQ**



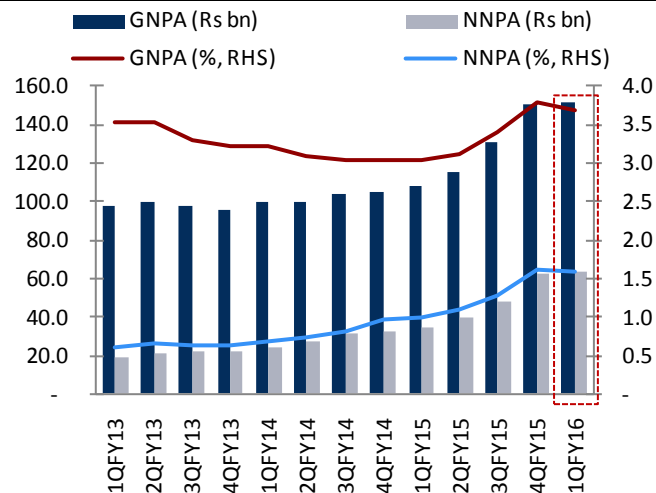
Source : Bank

**Led by lower slippages & sale to ARC, G/NNPAs were flat QoQ.**

**PCR was stable QoQ at ~58.2%**

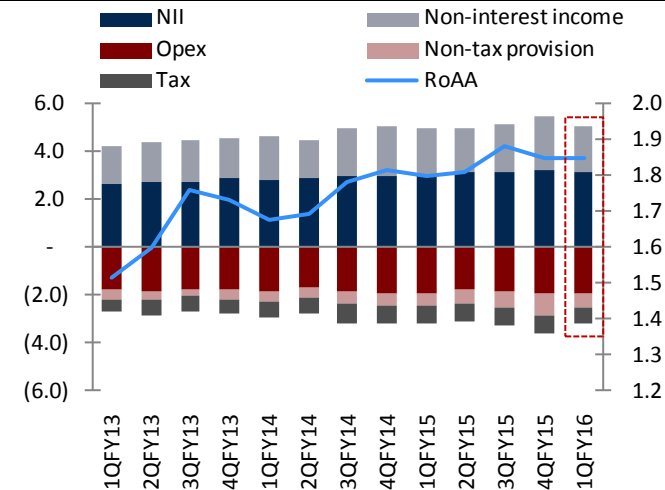
**Management indicated credit cost guidance at ~90-95bps in FY16E**

**Asset quality was stable QoQ**



Source : Bank

**RoAA stable at ~1.9% (ann.)**



Source : Bank

**PEER VALUATIONS**

Banks	CMP (Rs)	Mcap (Rs bn)	Reco	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
				FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
AXSB	574	1,359	BUY	183	214	252	18.5	15.4	12.8	3.14	2.68	2.28	17.8	18.3	18.8	1.74	1.73	1.72
DCBB	132	38	BUY	52	59	68	19.5	17.9	14.3	2.52	2.25	1.96	14.0	12.3	13.6	1.32	1.15	1.16
FB	68	116	BUY	43	48	54	12.4	13.0	10.3	1.58	1.41	1.26	12.7	10.9	12.3	1.19	1.01	1.10
<b>ICICIBC #</b>	<b>302</b>	<b>1,753</b>	<b>BUY</b>	<b>108</b>	<b>120</b>	<b>138</b>	<b>13.2</b>	<b>11.2</b>	<b>9.0</b>	<b>2.35</b>	<b>2.04</b>	<b>1.72</b>	<b>14.8</b>	<b>14.9</b>	<b>15.9</b>	<b>1.80</b>	<b>1.85</b>	<b>1.96</b>
IIB	978	518	BUY	189	291	335	28.9	23.9	18.6	5.16	3.36	2.92	19.0	17.4	16.6	1.83	1.96	2.04
YES	829	346	NEU	278	322	379	17.3	14.0	11.2	2.99	2.57	2.19	21.3	19.5	20.9	1.64	1.62	1.62
ALBK	92	53	NEU	102	107	127	8.5	6.6	4.5	0.90	0.86	0.72	5.5	6.6	8.9	0.28	0.34	0.45
BOB	178	394	BUY	139	148	165	11.6	9.1	7.1	1.28	1.20	1.08	9.2	10.7	12.5	0.49	0.57	0.66
BOI	163	109	NEU	216	226	287	6.3	4.2	3.4	0.75	0.72	0.57	6.3	8.9	10.1	0.29	0.40	0.44
CBK	277	131	NEU	373	398	450	4.9	4.8	4.0	0.74	0.69	0.61	10.7	10.6	11.2	0.52	0.52	0.55
OBC	172	51	BUY	278	268	312	10.4	5.5	3.9	0.62	0.64	0.55	3.8	6.9	9.1	0.34	0.39	0.51
PNB	151	280	BUY	120	137	167	9.1	7.6	5.8	1.26	1.10	0.90	8.5	9.4	11.4	0.53	0.57	0.68
SBIN #	270	2,043	BUY	122	141	164	12.4	9.4	7.4	1.78	1.49	1.24	11.4	13.4	14.7	0.69	0.79	0.87
UNBK	177	112	BUY	180	195	228	6.3	4.9	4.0	0.98	0.90	0.77	10.1	11.8	13.4	0.48	0.57	0.64

Source : Company, HDFC sec Inst Research. Note: # Adj. for subsidiary



**INCOME STATEMENT**

(Rs bn)	FY13	FY14	FY15	FY16E	FY17E
Interest Earned	400.8	441.8	490.9	551.8	630.7
Interest Expended	262.1	277.0	300.5	332.5	375.8
<b>Net Interest Income</b>	<b>138.7</b>	<b>164.8</b>	<b>190.4</b>	<b>219.2</b>	<b>254.9</b>
<b>Other Income</b>	<b>83.5</b>	<b>104.3</b>	<b>121.8</b>	<b>133.0</b>	<b>156.0</b>
Fee Income (CEB)	54.6	63.1	69.8	80.3	93.5
Treasury Income	4.4	7.7	15.5	10.0	12.5
<b>Total Income</b>	<b>222.1</b>	<b>269.0</b>	<b>312.2</b>	<b>352.2</b>	<b>410.9</b>
<b>Total Operating Exp</b>	<b>90.1</b>	<b>103.1</b>	<b>115.0</b>	<b>131.9</b>	<b>151.1</b>
Employee Expense	38.9	42.2	47.5	54.8	62.7
<b>PPOP</b>	<b>132.0</b>	<b>165.9</b>	<b>197.2</b>	<b>220.3</b>	<b>259.8</b>
Provisions & Contingencies	18.0	26.3	39.0	40.3	44.3
Prov. for NPAs (incl. std prov.)	15.4	25.0	35.3	39.3	43.3
<b>PBT</b>	<b>114.0</b>	<b>139.7</b>	<b>158.2</b>	<b>180.1</b>	<b>215.5</b>
Provision for Tax	30.7	41.6	46.4	53.1	63.6
<b>PAT</b>	<b>83.3</b>	<b>98.1</b>	<b>111.8</b>	<b>126.9</b>	<b>151.9</b>

Source: Bank, HDFC sec Inst Research

**BALANCE SHEET**

(Rs bn)	FY13	FY14	FY15	FY16E	FY17E
<b>SOURCES OF FUNDS</b>					
Share Capital	11.5	11.6	11.6	11.6	11.6
Reserves	655.5	720.5	792.6	880.4	986.7
<b>Shareholder's Funds</b>	<b>667.0</b>	<b>732.1</b>	<b>804.2</b>	<b>892.0</b>	<b>998.3</b>
Savings	856.5	991.3	1,148.6	1,326.6	1,558.8
Current	369.3	432.5	495.2	544.7	599.2
Term Deposit	1,700.4	1,895.4	1,971.8	2,297.2	2,676.2
<b>Total Deposits</b>	<b>2,926.1</b>	<b>3,319.1</b>	<b>3,615.6</b>	<b>4,168.5</b>	<b>4,834.2</b>
Borrowings	1,453.5	1,547.7	1,724.2	1,867.2	2,035.5
Other Liabilities & Provisions	321.3	347.6	317.2	348.8	383.6
<b>Total Liabilities</b>	<b>5,367.9</b>	<b>5,946.4</b>	<b>6,461.3</b>	<b>7,276.6</b>	<b>8,251.6</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	414.2	415.3	423.0	528.4	521.9
Investments	1,713.9	1,770.2	1,865.8	1,957.1	2,157.3
G-Secs	930.3	958.9	1,056.1	1,115.1	1,281.1
Advances	2,902.5	3,387.0	3,875.2	4,471.2	5,223.1
Fixed Assets	46.5	46.8	47.3	46.5	47.2
Other Assets	290.9	327.1	250.0	273.4	302.1
<b>Total Assets</b>	<b>5,367.9</b>	<b>5,946.4</b>	<b>6,461.3</b>	<b>7,276.6</b>	<b>8,251.6</b>

Source: Bank, HDFC sec Inst Research



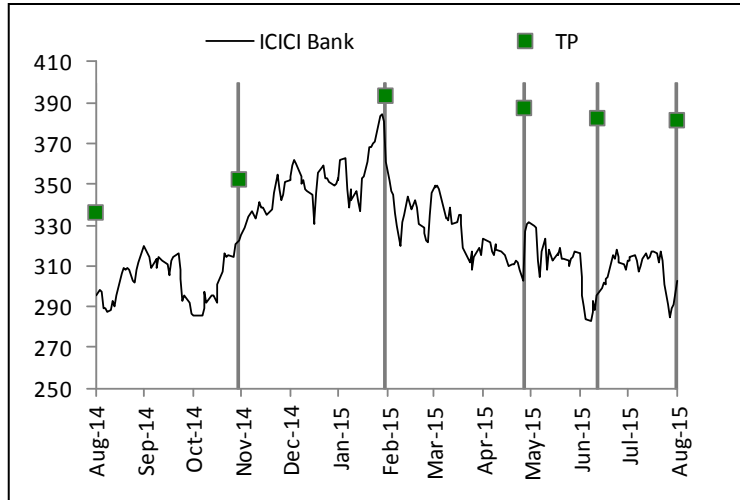
**KEY RATIOS**

	FY13	FY14	FY15	FY16E	FY17E
<b>VALUATION RATIOS</b>					
EPS	14.4	17.0	19.3	21.9	26.2
Earnings growth (%)	28.8	17.8	13.9	13.6	19.7
BVPS (ex reval.)	115.6	126.8	138.7	153.8	172.2
Core Adj. BVPS	89.6	99.4	108.0	120.2	137.5
ROAA (%)	1.62	1.73	1.80	1.85	1.96
ROAE (%)	13.1	14.0	14.5	15.0	16.1
ROAE (%) (Core)	14.7	14.9	14.8	14.9	15.9
P/E (x)	18.0	15.3	13.2	11.2	9.0
P/ABV (x)	2.9	2.6	2.35	2.04	1.72
P/PPOP (x)	2.6	2.1	1.8	1.6	1.3
Dividend Yield (%)	1.3	1.5	1.7	2.0	2.3
<b>PROFITABILITY</b>					
Yield on Advances (%)	10.1	10.0	9.8	9.8	9.9
Yield on Investment (%)	6.7	6.6	6.6	6.5	6.5
Cost of Funds (%)	6.3	6.0	5.9	5.8	5.8
Cost of Deposits (%)	6.2	5.7	5.9	5.7	5.7
Core Spread (%)	3.8	4.0	3.9	4.0	4.1
NIM (%)	3.0	3.2	3.4	3.5	3.6
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	1.8	1.8	1.9	1.9	1.9
Cost-Income Ratio (Excl Treasury)	41.4	39.4	38.7	38.5	37.9
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	14.4	16.7	14.4	15.4	16.8
Deposit Growth (%)	14.5	13.4	8.9	15.3	16.0
C/D Ratio (%)	99.2	102.0	107.2	107.3	108.0
Equity/Assets (%)	12.4	12.3	12.4	12.3	12.1
Equity/Advances (%)	23.0	21.6	20.8	20.0	19.1
CASA (%)	41.9	42.9	45.5	44.9	44.6
Total Capital Adequacy Ratio (%)	18.5	17.7	17.0	16.6	16.2
W/w Tier I (%)	12.7	12.8	12.8	12.9	12.9

	FY13	FY14	FY15	FY16E	FY17E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs bn)	96.1	105.1	149.9	175.5	179.0
Net NPLs (Rs bn)	22.3	33.0	62.6	68.5	61.4
Gross NPLs (%)	3.2	3.1	3.9	3.9	3.4
Net NPLs (%)	0.8	1.0	1.6	1.5	1.2
Coverage Ratio (%)	76.8	68.6	58.3	61.0	65.7
Provision/Avg. Loans (%)	0.6	0.8	1.0	0.9	0.9
<b>ROAA TREE</b>					
Net Interest Income	2.70%	2.91%	3.07%	3.19%	3.28%
Non Interest Income	1.63%	1.84%	1.96%	1.94%	2.01%
Treasury Income	0.09%	0.14%	0.25%	0.15%	0.16%
Operating Cost	1.76%	1.82%	1.85%	1.92%	1.95%
Provisions	0.35%	0.46%	0.63%	0.59%	0.57%
Provisions for NPAs	0.27%	0.40%	0.51%	0.53%	0.51%
Tax	0.60%	0.73%	0.75%	0.77%	0.82%
ROAA	1.62%	1.73%	1.80%	1.85%	1.96%
Leverage (x)	8.07	8.09	8.08	8.10	8.21
ROAE	13.10%	14.02%	14.55%	14.97%	16.08%

Source: Bank, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
1-Aug-14	294	BUY	337
30-Oct-14	323	BUY	353
31-Jan-15	361	BUY	394
28-Apr-15	302	BUY	388
15-Jun-15	296	BUY	383
1-Aug-15	302	BUY	382

**Rating Definitions**

- 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

**Disclosure:**

We, Darpin Shah, MBA, Shivraj Gupta, MBA & Siji Philip, MBA 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.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

Any holding in stock – No

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HDFC Securities Ltd or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HDFC Securities Ltd .

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HDFC Securities Ltd may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HDFC Securities and its affiliated company(ies), 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 company(ies) mentioned herein 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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HDFC Securities Ltd, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HDFC Securities Ltd and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

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

HDFC Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HDFC Securities or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HDFC Securities nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HDFC Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

**HDFC securities**
**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
 Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
 Board : +91-22-6171 7330 www.hdfcsec.com