

ICICI Bank

Decent Q1 with stable asset quality

Particulars (₹ cr)	Q1FY20	Q4FY19	% chg (qoq)	Q1FY19	% chg (yoy)
NII	7,737	7,620	2	6,102	27
Pre-prov. profit	6,288	6,233	1	5,808	8
PAT	1,908	969	97	(120)	-

Source: Company

For Q1FY2020, ICICI Bank reported net profit of ₹1,908Cr, which is marginally lower than estimates primarily owing to decline in other income and higher provision. However, on asset quality front, bank reported improvement on all parameters. Slippage for the quarter came in at ₹2,779Cr, which has been witnessing a declining trend for last several quarters. Management has guided credit cost of 1.2-1.3% for FY2020 and 1% for FY2021.

Stable asset quality and stressed pool declined: During the quarter, the key monitorable was higher slippages from kisan credit card portfolio (₹450cr), which led the increase in retail GNPA ratio by ~20bps qoq to 1.9%. Key positives for the quarter were (1) decline in BB & below book by 40bps to 2.59% of advances; on absolute basis it reduced by ₹2,170Cr, (2) Management mentioned that exposure to new stressed corporate was limited, (3) PCR at 73% was amongst the highest in industry, and (4) delinquency in retail business is less than industry..

Advances led by retail lending; NIM stable: The bank's advances grew by 14.7% yoy (1% qoq) aided by healthy retail loan book growth of 23% yoy. The main drivers leading to the growth in the retail loan book were personal loans/credit card lending, which grew by 55%/33% yoy respectively. Retail contribution to total loans increased to 61.4% vs. 57.5% in Q1FY2019. NIM stood at 3.62% against 3.72% in Q4FY19, considering 17bps impact of refund and interest collection of NPA. CASA ratio declined to 45.2% vs. 49.6% in Q4FY2019 as growth in term deposits outpaced that in CASA deposits.

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.7x FY2021E ABV. We believe strength of liability franchise (CASA - 45%), shift in loan mix towards retail assets & better rated companies, strong capitalization (tier I of 14.6%), steady improvement in stressed loan and going forward quick resolution under IBC would be the key triggers for expansion. We recommend a Buy on the stock with a Target Price of ₹490.

Exhibit 1 : Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
NII	21,738	23,025	27,015	31,732	37,135
% chg	2	6	17	17	17
Net profit	9,802	6,645	3,362	12,250	16,518
% chg	0.8	(32.2)	(49.4)	264	35
NIM (%)	3.2	3.1	3.2	3.4	3.5
EPS (₹)	15	10	5	19	26
P/E (x)	28	42	82	23	17
P/ABV (x)	3.6	3.3	2.8	2.5	2.3
RoA (%)	1.3	0.8	0.4	1.2	1.4
RoE (%)	10.3	6.5	3.1	10.8	13.2

Source: Company, CMP as on 29/7/2019, Valuation done closing price of 29/7/2019

BUY

CMP	₹429
Target Price	₹490

Investment Period 12 Months

Stock Info

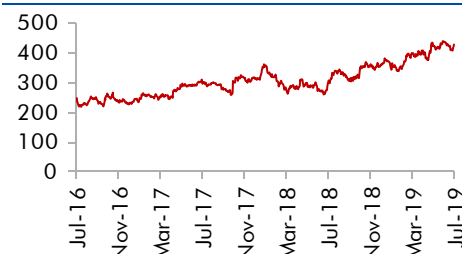
Sector	Banking
Market Cap (₹ cr)	2,77,000
Beta	1.3
52 Week High / Low	444/282
Avg. Daily Volume	6,60,886
Face Value (₹)	2
BSE Sensex	37,686
Nifty	11,189
Reuters Code	ICBK.BO
Bloomberg Code	ICICIBC IN

Shareholding Pattern (%)

Promoters	0.0
MF / Banks / Indian FIs	34.8
FII / NRIs / OCBs	32.9
Indian Public / Others	8.4

Abs. (%)	3m	1yr	3yr
Sensex	(3.3)	0.9	33.6
ICICI Bank	8.7	46.3	73.4

3 Year Price Chart



Source: Company

Jaikishan Parmar

Research Analyst

022 - 39357600 Ext: 6810

aikishan.parmar@angelbroking.com

Exhibit 1: Quarterly Performance

Particulars (₹ cr)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
Interest Earned	14,264	14,722	15,106	16,280	17,293	17,980	4	22
on Advances / Bills	10,690	10,982	11,512	12,524	12,925	13,616	5	24
on investments	3,001	3,136	3,086	3,237	3,338	3,645	9	16
on bal with RBI & others	166	227	147	135	227	147	(35)	(35)
on others	406	378	360	385	802	571	(29)	51
Interest Expended	8,243	8,620	8,688	9,405	9,673	10,243	6	19
Net Interest Income	6,022	6,102	6,418	6,875	7,620	7,737	2	27
Non Interest Income	5,678	3,851	3,156	3,883	3,621	3,425	(5)	(11)
Fee Income	2,755	2,754	2,995	3,062	3,178	3,039	(4)	10
Other Income	238	331	197	342	269	191	(29)	(42)
Treasury Income	2,685	766	(350)	479	156	196	26	(74)
Operating income	11,700	9,953	9,574	10,758	11,241	11,163	(1)	12
Operating Expenses	4,186	4,145	4,324	4,612	5,008	4,874	(3)	18
Employee expenses	1,526	1,514	1,661	1,734	1,899	1,953	3	29
Other Opex	2,660	2,631	2,663	2,878	3,109	2,921	(6)	11
Pre-prov. profit	7,513	5,808	5,250	6,146	6,233	6,288	1	8
Provisions & Contingencies	6,626	5,971	3,994	4,244	5,451	3,496	(36)	(41)
PBT	888	(164)	1,255	1,902	782	2,793	257	(1,806)
Provision for Taxes	(132)	(43)	347	297	(187)	885	(573)	-
Tax rate	(15)	26	28	16	(24)	32	(223)	
PAT	1,019	(120)	909	1,605	969	1,908	97	-

Source: Company

Exhibit 2: Balance Sheet

Particular	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
Advance (₹ cr)	5,12,395	5,16,289	5,44,487	5,64,308	5,86,647	5,92,415	1.0	14.7
Deposit (₹ cr)	5,60,975	5,46,878	5,58,669	6,06,755	6,52,920	6,60,732	1.2	21
Credit-to-Deposit Ratio (%)	91	94	97	93	90	90	(18.9)bp	(474.6)bp
CA (₹ cr)	88,958	76,689	76,072	88,581	96,269	80,401	(16)	5
SA (₹ cr)	2,00,967	1,99,604	2,07,476	2,10,793	2,27,671	2,18,476	(4)	9
CASA deposits (₹ cr)	2,89,925	2,76,293	2,83,548	2,99,374	3,23,940	2,98,877	(8)	8
CASA %	51.7	50.5	50.8	49.3	49.6	45.2	(438)bp	(528.8)bp
Tier-I ratio (%)	15.9	15.8	15.4	15.1	15.1	14.6	(49)bp	(124)bp
of which - CET1	14.4	14.4	14.0	13.7	13.6	13.2	(43)bp	(121)bp
Tier-II ratio	2.5	2.5	2.5	2.0	1.8	1.6	(21)bp	(92)bp
Total CAR ratio	18.4	18.4	17.8	17.2	16.9	16.2	(70)bp	(216)bp

Source: Company

Exhibit 3: Profitability Ratios & Asset quality Trend

Particular	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
Rep. Yield on Advance	8.68	8.71	8.79	9.00	9.29	9.36	7bp	65bp
Rep. Cost of fund	4.93	4.99	5.00	5.14	5.20	5.23	3bp	24bp
Cost of Deposit	4.79	4.81	4.76	4.88	5.00	5.08	8bp	27bp
Reported NIM	3.24	3.19	3.33	3.22	3.72	3.61	(11)bp	42bp
Cost-to-income ratio	35.8	41.6	45.2	42.9	44.5	43.7	(88.2)bp	201.7bp
Asset quality								
Gross NPAs (₹ cr)	54,063	53,465	54,489	51,627	46,328	45,799	(1)	(14)
Gross NPAs (%)	8.8	8.8	8.5	7.8	6.7	6.5	(21)bp	(232)bp
Net NPAs (₹ cr)	27,886	24,170	22,086	16,288	13,613	11,893	(13)	(51)
Net NPAs (%)	4.8	4.2	3.7	2.6	2.1	1.8	(29)bp	(242)bp
PCR (%)	46	52	57	67	69	73	347.4bp	2028.7bp
Slippage ratio (%)	3.1	0.8	0.6	0.4	0.6	0.5	(13.6)bp	(31.3)bp
Credit Cost on Adv (AnnI)	5.2	4.6	3.0	3.1	3.8	1.6	(218.9)bp	(304.4)bp

Source: Company

Exhibit 4: Stressed book on declining trend

Particular (₹ Cr)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20
GNPA	43,148	44,489	46,039	54,063	53,465	54,489	51,627	46,328	45,799
Outstanding stock of bad loans	28,300	28,300	25,800	13,461	11,898	10,720	3,690	3,299	3,280
(% of loans)	6.1%	5.9%	5.1%	2.6%	2.3%	2.0%	0.7%	0.6%	0.6%
Stressed asset									
Sub investment grade	20,400	19,600	19,100	4,728	4,401	3,283			
Security receipts	3,400	3,500	3,400	3,438	3,438	3,436	3,299	3,299	3,280
Other dispensation	4,500	5,200	3,300	5,295	4,059	4,001	391		
Restructured loans	2,400	2,000	1,800	1,595	1,445	1,443	391		
...5.25	200	200	200	-	2,004	2,005			
SDR	1,500	2,700	1,000	-	-				
S4A	400	300	300	2,200	610	553			
Other				1,500	-				
BB & Below						17,100	18,812	17,525	15,355
Total Stressed Pool	71,448	72,789	71,839	67,524	65,363	82,309	74,129	67,152	64,434
Stressed pool to loans (%)	15.4	15.1	14.2	13.2	12.7	15.1	13.1	11.4	10.9
Stressed pool declared as NPA%	60	61	64	80	82	66	70	69	71

Source: Company

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.7x FY2021E ABV. We believe strength of liability franchise (CASA - 45%), shift in loan mix towards retail assets & better rated companies, strong capitalization (tier I of 14.6%), steady improvement in stressed loan and going forward quick resolution under IBC would be the key triggers for expansion. We recommend a Buy on the stock with a Target Price of ₹490.

Exhibit 5: SOTP

Particular	%	Valuation Methodology	Value/share (₹)
Value of ICICI standalone	100	2x FY21E ABV	383
Subsidiaries			
ICICI Prudential Life	54.9	On Current Mcap	47
General Insurance	56	On Current Mcap	45
Mutual fund s	51	5.5% of current AUM	15
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			27
Total subsidiaries' value @ 20% discount			108
Fair value per share			490

Valuation done on closing price of 29/07/2019

Income Statement

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	21,738	23,025	27,015	31,732	37,135
- YoY Growth (%)	2	6	17	17.5	17.0
Other Income	19,503	17,419	14,511	15,231	18,296
- YoY Growth (%)	27	(11)	-17	5	20
Operating Income	41,241	40,444	41,526	46,963	55,431
- YoY Growth (%)	13	(2)	3	13	18
Operating Expenses	14,754	15,704	18,089	20,327	23,402
- YoY Growth (%)	16	6	15	12	15
Pre - Provision Profit	26,487	24,741	23,437	26,636	32,029
- YoY Growth (%)	11	(7)	-5	14	20
Prov. & Cont.	15,207	17,307	19,661	10,055	10,005
- YoY Growth (%)	30	14	14	(49)	(0)
Profit Before Tax	11,279	7,434	3,776	16,581	22,023
- YoY Growth (%)	(8)	(34)	-49	339	33
Prov. for Taxation	1,478	789	413	4,332	5,506
- as a % of PBT	13	11	11	26	25
PAT	9,802	6,645	3,362	12,250	16,518
- YoY Growth (%)	1	(32)	(49.4)	264	35

Balance Sheet

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Equity	1,171	1,292	1,294	1,295	1,295
Reserve & Surplus	98,780	1,03,868	1,07,074	1,17,377	1,30,591
Networth	99,951	1,05,160	1,08,368	1,18,673	1,31,887
Deposits	4,90,039	5,60,975	6,52,920	7,32,565	8,40,635
- Growth (%)	16	14	16	12	15
Borrowings	1,47,556	1,82,859	1,65,320	1,73,004	2,02,390
Other Liab. & Prov.	34,245	30,195	37,851	50,549	75,668
Total Liabilities	7,71,791	8,79,189	9,64,459	10,74,790	12,50,580
Cash Balances	31,702	33,102	37,858	43,288	49,674
Bank Balances	44,011	51,067	42,438	33,128	38,015
Investments	1,61,507	2,02,994	2,07,733	2,35,682	2,72,942
Advances	4,64,232	5,12,395	5,86,647	6,59,995	7,72,100
- Growth (%)	7	10	14	13	17
Fixed Assets	7,805	7,904	7,931	11,235	12,892
Other Assets	62,535	71,727	81,852	91,463	1,04,956
Total Assets	7,71,791	8,79,189	9,64,459	10,74,790	12,50,580
- Growth (%)	7	14	10	11	16

Key Ratio

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Profitability ratios (%)					
NIMs	3.2	3.1	3.2	3.4	3.5
Cost to Income Ratio	36	39	44	43	42
RoA	1.3	0.8	0.4	1.2	1.4
RoE	10	6	3	11	13
B/S ratios (%)					
CASA Ratio	50	52	50	47	49
Credit/Deposit Ratio	0.95	0.91	0.90	0.90	0.92
Asset Quality (%)					
Gross NPAs	7.9	8.8	6.7	5.2	3.8
Net NPAs	4.9	3.5	2.0	1.6	1.1
Slippages	7.5	6.4	2.5	2.0	1.5
Loan Loss Prov. /Avg. Assets	2.04	2.10	2.13	0.99	0.86
Provision Coverage	40	48	71	70	70
Per Share Data (₹)					
EPS	15	10	5	19	26
ABVPS (70% cover.)	119	129	153	169	189
DPS	2	2	1	4	5
Valuation Ratios					
PER (x)	28	42	82	23	17
P/ABVPS (x)	3.6	3.3	2.8	2.5	2.3
Dividend Yield (%)	0.5	0.5	0.2	0.9	1.2
DuPont Analysis					
NII	2.9	2.8	2.9	3.1	3.2
(-) Prov. Exp.	2.0	2.1	2.1	1.0	0.9
Adj. NII	0.9	0.7	0.8	2.1	2.3
Other Inc.	2.6	2.1	1.6	1.5	1.6
Op. Inc.	3.5	2.8	2.4	3.6	3.9
Opex	2.0	1.9	2.0	2.0	2.0
PBT	1.5	0.9	0.4	1.6	1.9
Taxes	0.2	0.1	0.0	0.4	0.5
RoA	1.3	0.8	0.4	1.2	1.4
Leverage	7.9	8.0	8.6	9.0	9.3
RoE	10.3	6.5	3.1	10.8	13.2

Valuation done on closing price of 29/07/2019

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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	ICICI Bank
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No