

ICICI Bank

Performance Highlights

Particulars (₹ cr)	2QFY19	1QFY19	% chg (qoq)	2QFY19	% chg (yoy)
NII	6,418	6,102	5.2	5,709	12.4
Pre-prov. profit	5,250	5,808	(9.6)	6,986	(24.9)
PAT	909	(120)	-	2,058	-

Source: Company, Angel Research

ICICI Bank reported net profit of ₹909cr in 2QFY2019, driven by strong growth in pre-provision profit (PPP). PPA was helped by strong uptick in margins (+14bps qoq) to 3.3%. Moreover, credit cost continued to moderate for ICICI (3.01% in 2QFY2019), with total provisions down 33% qoq to ₹3,994cr. Slippages were multi quarter low at ₹3,117cr, of which ₹1,304cr was owing to currency depreciation.

Healthy growth in retail advances; slippages at low

During 2QFY2019, the bank's advances grew by 12.8% yoy (5.5% qoq), aided by healthy retail loan book growth of 20.5% yoy. The main drivers leading to the growth in the retail loan book were personal loans/credit card, which grew by 51%/25.6% yoy respectively. Retail contribution to total loans increased to 57.3% as compared to 53.6% in the corresponding quarter of the previous year. The corporate loan book grew 5.5% yoy, declined 5.3% qoq.

Deposits growth was modest at 12% yoy, while CASA deposits saw a growth of 15% yoy, resulting in improvement in CASA ratio by 124bps yoy to 50.8%. Net interest margin (NIM) improved sequentially 14bps to 3.33%, as cost of funds remained flat at 5% vs. 4.99% qoq, while the yield on funds improved 16bps sequentially to 7.85%.

On the asset quality front, the bank witnessed slippages during the quarter to the tune of ₹3,117cr, which were at multi quarter lows and largely driven by the portfolio rated BB & below and ₹1,304cr from the currency depreciation on existing foreign currency NPAs. The Gross NPA ratio declined 27bps sequentially to 8.54%, whereas the Net NPA declined 54bps qoq to 3.65% in 2QFY2019.

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.6x FY20E ABV. We believe strength of liability franchise (CASA-51%), shift in loan mix towards retail assets and better rated companies, strong capitalization (tier I of 15.38%), steady improvement in stress loan and going forward quick resolution under IBC would be the key triggers for multiple expansion. **We recommend a Buy on the stock, with a target price of ₹410.**

Key financials (Standalone)

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
NII	21,738	23,025	26,797	31,339
% chg	2	6	16	17
Net profit	9,802	6,645	5,795	13,264
% chg	0.8	(32.2)	(12.8)	129
NIM (%)	3.2	3.1	3.2	3.3
EPS (₹)	15	10	9	21
P/E (x)	23	34	39	17
P/ABV (x)	3	3	2	2
RoA (%)	1.3	0.8	0.6	1.3
RoE (%)	10	6	5	12

Source: Company, Angel Research; Note: CMP as of Oct 29, 2018

BUY

CMP	₹349
Target Price	₹410

Investment Period	12 Months
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Stock Info

Sector	Banking
Market Cap (₹ cr)	2,22,967
Beta	1.5
52 Week High / Low	365.7/256
Avg. Daily Volume	16,41,250
Face Value (₹)	2
BSE Sensex	34,066
Nifty	10,251
Reuters Code	ICBK.NS
Bloomberg Code	ICICIBC@IN

Shareholding Pattern (%)

Promoters	NA
MF / Banks / Indian Fls	44.2
FII / NRIs / OCBs	45.3
Indian Public / Others	10.5

Abs. (%)	3m	1yr	3yr
Sensex	(9.2)	2.4	25.1
ICICI Bank	16.7	16.2	25.4

3-year price chart



Source: Company, Angel Research

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Exhibit 1: quarterly results summary

Particulars (₹ cr)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	% qoq	% yoy
Interest Earned	13,639	13,618	13,569	13,459	13,577	13,665	14,264	14,722	15,106	2.6	11.3
on Advances	9,905	9,870	9,991	9,847	10,090	10,238	10,690	10,982	11,512	4.8	14.1
on investments	2,997	2,948	2,622	2,827	2,879	2,860	3,001	3,136	3,086	(1.6)	7.2
on bal with RBI	38	126	282	199	145	154	166	227	147	(34.9)	1.8
on others	699	675	674	586	463	412	406	378	360	(4.8)	(22.2)
Interest Expended	8,386	8,254	7,606	7,869	7,868	7,960	8,243	8,620	8,688	0.8	10.4
NII	5,253	5,364	5,962	5,590	5,709	5,705	6,022	6,102	6,418	5.2	12.4
Other Income	9,119	3,938	3,017	3,388	5,186	3,167	5,678	3,851	3,156	(18.0)	(39.1)
Oper income	14,372	9,302	8,979	8,978	10,895	8,872	11,700	9,953	9,574	(3.8)	(12.1)
Oper Exp	3,736	3,778	3,867	3,794	3,909	3,814	4,186	4,145	4,324	4.3	10.6
Emp expenses	1,556	1,406	1,480	1,511	1,514	1,363	1,526	1,514	1,661	9.7	9.7
Other Opex	2,180	2,372	2,387	2,283	2,395	2,452	2,660	2,631	2,663	1.2	11.2
Pre Prov Profit	10,636	5,524	5,112	5,184	6,986	5,057	7,513	5,808	5,250	(9.6)	(24.9)
Prov & Cont	7,082	2,713	2,898	2,609	4,503	3,570	6,626	5,971	3,994	(33.1)	(11.3)
PBT	3,554	2,812	2,214	2,575	2,483	1,488	888	(164)	1,255	-	(49.4)
Taxes	451	369	189	526	425	(162)	(132)	(43)	347	-	(18.5)
Tax rate	13	13	9	20	17	(11)	(15)	26	28		
PAT	3,103	2,442	2,025	2,050	2,058	1,650	1,019	(120)	909	-	(55.8)

Source: Company, Angel Research

Exhibit 2: Strong Retail lending supports Loan Growth

Particulars (₹ cr)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	% QoQ	% YoY
Domestic Corporate	1,29,921	1,26,735	1,24,372	1,31,316	1,35,949	1,32,198	1,31,137	1,38,329	5.5	5.3
Overseas branches	82,802	74,741	71,468	71,934	70,754	64,562	64,536	69,051	7.0	(4.0)
SME	21,044	22,283	20,883	20,760	24,764	25,620	23,749	25,294	6.5	21.8
Retail Total	2,23,703	2,40,472	2,47,352	2,58,770	2,73,920	2,91,040	2,96,866	3,11,813	5.0	20.5
Total	4,57,469	4,64,232	4,64,075	4,82,780	5,05,387	5,13,420	5,16,289	5,44,487	5.5	12.8
Loan Mix (%)										
Domestic Corporate	28	27	27	27	27	26	25	25		
Overseas branches	18	16	15	15	14	13	13	13		
SME	5	5	5	4	5	5	5	5		
Retail Total	49	52	53.3	53.6	54.2	56.7	57.5	57.3		

Source: Company, Angel Research

Exhibit 3: Slippages at multi quarter lows

Particulars (₹ cr)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Opening gross NPA	27,563	32,548	38,085	42,552	43,148	44,489	46,039	54,063	53,465
Add: gross additions	8,089	7,037	11,289	4,976	4,674	4,380	15,737	4,036	3,117
slippages	1.78%	1.54%	2.43%	1.07%	0.97%	0.87%	3.07%	0.78%	0.57%
Slippages Annulised					3.87%	3.47%	12.29%	3.13%	2.29%
- of which: slippages from									
Restructured assets		239	1,803	1,476	372	197	327	82	54
Drilldown		2,943	7,957	359	1,135	614	11,776	303	828
Existing NPA2 & nonfund		2,040	40	195	220	146	655	1,192	132
Loans under RBI resolution		-	32	111	192	2,022	877	246	
Less: recoveries & upgrades	800	625	1,413	2,775	1,029	1,108	4,234	2,036	1,006
% of Adv recoveries & upgrades	0.18%	0.14%	0.30%	0.60%	0.21%	0.22%	0.83%	0.39%	0.18%
Net additions	7,229	6,412	9,876	2,201	3,645	3,272	11,503	2,000	2,111
Less: write-offs & sale	2,244	875	5,409	1,605	2,304	1,722	3,479	2,598	1,087
% of Adv recoveries & upgrades	0.49%	0.19%	1.17%	0.35%	0.48%	0.34%	0.68%	0.50%	0.20%
Closing gross NPAs	32,548	38,085	42,552	43,148	44,489	46,039	54,063	53,465	54,489
GNPA	6.1%	7.20%	7.89%	8.0%	7.87%	7.82%	8.84%	8.81%	8.54%
Less - Provision	16,065	17,930	17,101	17,842	20,359	22,229	26,177	29,295	32,403
Net NPAs	16,483	20,155	25,451	25,306	24,130	23,810	27,886	24,170	22,086
Net NPA ratio	3.21%	3.96%	4.89%	4.86%	4.43%	4.20%	4.77%	4.19%	3.65
PCR	49.36%	47.08%	40.19%	41.35%	45.76%	48.28%	48.42%	54.79%	59.47%

Source: Company, Angel Research

Exhibit 4: Declining trend in stress loans

Particulars (₹ cr)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
Outstanding stock of bad loans	44,300	38,200	30,100	28,300	28,300	25,800	13,461	11,898	10,720
(% of loans)	9.8%	8.4%	6.5%	6.1%	5.9%	5.1%	2.6%	2.3%	2.0%
NPA									
Sub investment grade	32,500	27,500	19,000	20,400	19,600	19,100	4,728	4,401	3,283
Security receipts	2,800	2,800	3,300	3,400	3,500	3,400	3,438	3,438	3,436
Other dispensation	9,000	7,900	7,800	4,500	5,200	3,300	5,295	4,059	4,001
Restructured loans	6,300	6,400	4,300	2,400	2,000	1,800	1,595	1,445	1,443
...5.25	2,700	900	1,700	200	200	200	-	2,004	2,005
SDR	-	600	1,500	1,500	2,700	1,000	-	-	
S4A	-	-	300	400	300	300	2,200	610	553
Other							1,500	-	
(% of loans) RS	1.39	1.40	0.93	0.52	0.42	0.36	0.31	0.28	0.27

Source: Company

Exhibit 5: SOTP valuation summary

Particulars	%	Valuation Methodology	Value/share (₹)
Value of ICICI standalone	100	2x FY20E ABV	319
Subsidiaries			
ICICI Prudential Life	55	On Current M.Cap	39
General Insurance	56	On Current M.Cap	31
Mutual Fund	51	8% of current AUM	10
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			33
Total subsidiaries' value @ 20% discount			88
Fair value per share			410

Source: Company, Angel Research

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Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	21,224	21,738	23,025	26,797	31,339
- YoY Growth (%)	11	2	6	16	17
Other Income	15,323	19,503	17,419	14,336	16,260
- YoY Growth (%)	26	27	(11)	(18)	13
Operating Income	36,547	41,241	40,444	41,133	47,599
- YoY Growth (%)	17	13	(2)	2	16
Operating Expenses	12,684	14,754	15,704	17,372	19,908
- YoY Growth (%)	10	16	6	11	15
Pre - Provision Profit	23,863	26,487	24,741	23,761	27,691
- YoY Growth (%)	21	11	(7)	(4)	17
Prov. & Cont.	11,668	15,207	17,307	16,166	10,006
- YoY Growth (%)	199	30	14	(7)	(38)
Profit Before Tax	12,196	11,279	7,434	7,594	17,685
- YoY Growth (%)	(23)	(8)	(34)	2	133
Prov. for Taxation	2,469	1,478	789	1,799	4,421
- as a % of PBT	20	13	11	24	25
PAT	9,726	9,802	6,645	5,795	13,264
- YoY Growth (%)	(13)	1	(32)	(12.8)	129

Balance Sheet

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Equity	1,170	1,171	1,292	1,284	1,284
Reserve & Surplus	88,566	98,780	1,03,868	1,08,086	1,18,697
Net worth	89,736	99,951	1,05,160	1,09,370	1,19,981
Deposits	4,21,426	4,90,039	5,60,975	6,12,971	7,03,399
- Growth (%)	17	16	14	9	15
Borrowings	1,74,807	1,47,556	1,82,859	1,97,150	2,24,926
Other Liab. & Prov.	34,726	34,245	30,195	36,952	52,087
Total Liabilities	7,20,695	7,71,791	8,79,189	9,56,444	11,00,393
Cash Balances	27,106	31,702	33,102	38,208	44,256
Bank Balances	32,763	44,011	51,067	27,462	31,809
Investments	1,60,412	1,61,507	2,02,994	2,22,376	2,56,405
Advances	4,35,264	4,64,232	5,12,395	5,83,268	6,69,313
- Growth (%)	12	7	10	14	15
Fixed Assets	7,577	7,805	7,904	9,313	10,787
Other Assets	57,574	62,535	71,727	75,818	87,821
Total Assets	7,20,695	7,71,791	8,79,189	9,56,444	11,00,393

Exhibit 6: Key Ratio

Y/E March	FY16	FY17	FY18E	FY19E	FY20E
Profitability ratios (%)					
NIMs	3.3	3.2	3.1	3.2	3.3
Cost to Income Ratio	35	36	39	42	42
RoA	1.4	1.3	0.8	0.6	1.3
RoE	11	10	6	5	12
B/S ratios (%)					
CASA Ratio	46	50	52	51	51
Credit/Deposit Ratio	1.03	0.95	0.91	0.95	0.95
Asset Quality (%)					
Gross NPAs	5.2	7.9	8.8	6.9	5.7
Net NPAs	2.7	4.9	3.5	2.8	2.3
Slippages	4.2	7.5	6.4	2.5	2.0
Loan Loss Prov. /Avg. Assets	1.71	2.04	2.10	1.76	0.97
Provision Coverage	50	60	60	60	60
Per Share Data (₹)					
EPS	15	15	10	9	21
ABVPS (70% cover.)	112	116	125	143	160
DPS	5	2	2	2	4
Valuation Ratios					
PER (x)	23	23	34	39	17
P/ABVPS (x)	3.1	3.0	2.8	2.4	2.2
Dividend Yield (%)	1.3	0.7	0.6	0.5	1.2
DuPont Analysis					
NII	3.1	2.9	2.8	2.9	3.0
(-) Prov. Exp.	1.7	2.0	2.1	1.8	1.0
Adj. NII	1.4	0.9	0.7	1.2	2.1
Other Inc.	2.2	2.6	2.1	1.6	1.6
Op. Inc.	3.6	3.5	2.8	2.7	3.7
Opex	1.9	2.0	1.9	1.9	1.9
PBT	1.8	1.5	0.9	0.8	1.7
Taxes	0.4	0.2	0.1	0.2	0.4
RoA	1.4	1.3	0.8	0.6	1.3
Leverage	8.0	7.9	8.0	8.6	9.0
RoE	11.4	10.3	6.5	5.4	11.6

Source: Valuation done on Closing price of 29/10/2018

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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

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)