

ICICI Bank

Performance Highlights

Particulars (₹ cr)	Q4FY19	Q3FY19	% chg (qoq)	4QFY18	% chg (yoy)
NII	7,620	6,875	10.8	6,022	27
Pre-prov. profit	6,233	6,146	1.4	7,513	(17)
PAT	969	1,605	(39.6)	1,019	(5)

Source: Company, Angel Research

For Q4FY2019, ICICI Bank reported net profit of ₹969cr, which came in lower than estimates owing to higher provisions of ₹5,451cr. Higher provisions were due to aging of bad assets and increased slippages, which led to PCR increasing by 217bps qoq to 70.62% (considering Technical/prudential write-offs, it stood at 76%).

Healthy growth in retail advances; credit costs up on higher PCR: During Q4FY2019, the bank's advances grew by 14.5% yoy (4% qoq) aided by healthy retail loan book growth of 21.2% yoy. The main drivers leading to the growth in the retail loan book were personal loans/business banking, which grew by 48.6%/39.3% yoy respectively. Retail contribution to total loans increased to 60.1% vs. 57 in Q4FY2018.

Deposits growth was healthy at 16.4% yoy; CASA deposits also saw a growth of 11.7% yoy. Reported NIM for the quarter expanded 25bps/23bps qoq/yoy to 3.47% owing to interest collection on NPAs and increase in advance yield.

On the asset quality front, the bank witnessed slippages (fresh formation of NPA) to the tune of ₹3,547cr during the quarter, which is higher than recent trend. Majority of the slippages are from the portfolio rated BB & below and technical downgrade of sugar account. Further, GNPA/NNPA ratio declined by 105bps/52bps qoq to 6.7%/2.06% respectively, due to higher provisioning.

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.6x FY2021E ABV. We believe strength of liability franchise (CASA - 50%), shift in loan mix towards retail assets & better rated companies, strong capitalization (tier I of 14.73%), 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	31,749	37,524
% chg	2	6	17	18	18
Net profit	9,802	6,645	3,362	12,600	15,448
% chg	0.8	(32.2)	(49.4)	275	23
NIM (%)	3.2	3.1	3.2	3.4	3.5
EPS (₹)	15	10	5	20	24
P/E (x)	28	42	83	22	18
P/ABV (x)	4	3	3	3	2
RoA (%)	1.3	0.8	0.4	1.2	1.3
RoE (%)	10	6	3	11	12

Source: Company

Please refer to important disclosures at the end of this report

BUY

CMP	₹431
Target Price	₹490

Investment Period	12 Months
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Stock Info

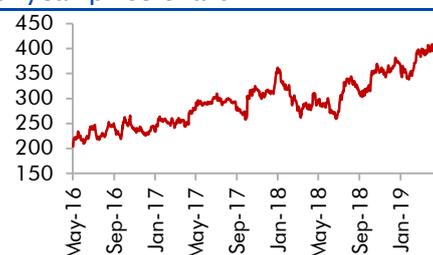
Sector	Banking
Market Cap (₹ cr)	2,64,789
Beta	1.3
52 Week High / Low	433/256
Avg. Daily Volume	11,24,581
Face Value (₹)	2
BSE Sensex	39,434
Nifty	11,844
Reuters Code	ICBK.NS
Bloomberg Code	ICICIBC@IN

Shareholding Pattern (%)

Promoters	NA
MF / Banks / Indian Fls	31.7
FII / NRIs / OCBs	60.4
Indian Public / Others	7.7

Abs. (%)	3m	1yr	3yr
Sensex	8.2	13.0	53.4
ICICI Bank	16.7	40.8	101.3

3-year price chart



Source: Company, Angel Research

Jaikishan Parmar

Research Analyst

022 - 39357600 Ext: 6810

Jaikishan.parmar@angelbroking.com

Exhibit 1: Quarterly Summary

Particular (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YOY	QoQ
Interest Income	13,459	13,577	13,665	14,264	14,722	15,106	16,280	17,293	21	6
Interest Expenses	7,869	7,868	7,960	8,243	8,620	8,688	9,405	9,673	17	3
Net Interest Income (NII)	5,590	5,709	5,705	6,022	6,102	6,418	6,875	7,620	27	11
Other Income	3,388	5,186	3,167	5,678	3,851	3,156	3,883	3,621	(36)	(7)
Fee Income	2,377	2,570	2,639	2,755	2,754	2,995	3,062	3,178	15	4
Total Income	16,847	18,763	16,832	19,942	18,573	18,262	20,163	20,914	5	4
Net Income	8,978	10,895	8,872	11,700	9,953	9,574	10,758	11,241	(4)	4
Operating Expenses	3,794	3,909	3,814	4,186	4,145	4,324	4,612	5,008	20	9
Employee Expenses	1,511	1,514	1,363	1,526	1,514	1,661	1,734	1,899	24	10
Other Operating Expenses	2,283	2,395	2,452	2,660	2,631	2,663	2,878	3,109	17	8
Cost / Income %	42%	36%	43%	36%	42%	45%	43%	45%	290	168
Operating Profit	5,184	6,986	5,057	7,513	5,808	5,250	6,146	6,233	(17)	1
Provisions	2,609	4,503	3,570	6,626	5,971	3,994	4,244	5,451	(18)	28
PBT	2,575	2,483	1,488	888	(164)	1,255	1,902	782	(12)	(59)
Provisions for Tax	526	425	(162)	(132)	(43)	347	297	(187)	42	(163)
Tax Rate %	20%	17%	-11%	12%	23%	23%	23%	23%	-	-
PAT	2,050	2,058	1,650	1,019	(120)	909	1,605	969	(5)	(40)

Source: Company, Angel Research, % changes are on bps

Exhibit 2: Advance Trend and Profitability

Particular (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YOY	QoQ
Advances	4,64,075	4,82,780	5,05,387	5,12,395	5,16,289	5,44,487	5,64,308	5,86,647	14.5	4
Deposits	4,86,254	4,98,643	5,17,403	5,60,975	5,46,878	5,58,669	6,06,755	6,52,920	16.4	8
Savings	1,69,950	1,78,480	1,85,851	2,00,967	1,99,604	2,07,476	2,10,793	2,27,671	13.3	8
Current	68,073	68,396	74,784	88,958	76,689	76,072	88,581	96,269	8.2	9
CASA	2,38,023	2,46,876	2,60,635	2,89,925	2,76,293	2,83,548	2,99,374	3,23,940	11.7	8
CASA%	48.95	49.51	50.37	51.68	50.52	50.75	49.34	49.61	(206.8)	27.4
SA%	71.40	72.30	71.31	69.32	72.24	73.17	70.41	70.28	96.5	(12.9)
CA%	28.60	27.70	28.69	30.68	27.76	26.83	29.59	29.72	(96.5)	12.9
Term	2,48,231	2,51,767	2,56,768	2,71,050	2,70,585	2,75,121	3,07,381	3,28,980	21.4	7
Borrowings	1,41,460	1,50,702	1,58,176	1,82,859	1,61,970	1,74,686	1,64,293	1,65,320	(9.6)	1
Profitability										
Yield Advance	8.49	8.53	8.29	8.40	8.54	8.68	9.04	8.98	58	(5)
Cost of Fund	4.81	4.93	4.75	4.49	4.54	4.78	4.62	4.73	25	11
Spread	3.68	3.60	3.54	3.92	4.00	3.90	4.42	4.25	33	(17)
Calculated NIM	3.35	3.38	3.27	3.27	3.25	3.44	3.55	3.74	47	19
Reported NIM	3.27	3.27	3.14	3.24	3.19	3.33	3.22	3.47	23	25

Source: Company, Angel Research, % changes are on bps

Exhibit 3: GNPA Movement

Particular (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YOY	QoQ
Opening gross NPA	42,552	43,148	44,489	46,039	54,063	53,465	54,489	51,627	12.1	(5)
Add: gross additions	4,976	4,674	4,380	15,737	4,036	3,117	2,091	3,547	(77.5)	70
slippages	1.07%	0.97%	0.87%	3.07%	0.78%	0.57%	0.37%	0.60%	(247)	23
Slippages Annulised		3.87%	3.47%	12.29%	3.13%	2.29%	1.48%	2.42%	(987)	94
Less: recoveries & upgrades	2,775	1,029	1,108	4,234	2,036	1,006	1,916	1,522	(64.1)	(21)
% of Adv recoveries & upgrades	0.60%	0.21%	0.22%	0.83%	0.39%	0.18%	0.34%	0.26%	(57)	(8)
Net additions	2,201	3,645	3,272	11,503	2,000	2,111	175	2,025	(82.4)	1,057
Less: write-offs & sale	1,605	2,304	1,722	3,479	2,598	1,087	3,037	7,324	110.5	141
% of Adv recoveries & upgrades	0.35%	0.48%	0.34%	0.68%	0.50%	0.20%	0.54%	1.25%	57	71
Closing gross NPAs	43,148	44,489	46,039	54,063	53,465	54,489	51,627	46,328	(14.3)	(10)
GNPA	8.0%	7.87%	7.82%	8.84%	8.81%	8.54%	7.75%	6.70%	(214)	(105)
Less - Provision	17,842	20,359	22,229	26,177	29,295	32,403	35,339	32,715	25.0	(7)
Net NPAs	25,306	24,130	23,810	27,886	24,170	22,086	16,288	13,613	(51.2)	(16)
NPA	4.86%	4.43%	4.20%	4.77%	4.19%	3.65%	2.58%	2.06%	(271)	(52)
PCR	41.35%	45.76%	48.28%	48.42%	54.79%	59.47%	68.45%	70.62%	2,220	217

Source: Company, Angel Research, % changes are on bps

Exhibit 4: Advance Mix (%)

Particular	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YOY	QoQ
Retail	53	54	54	57	57.5	57.5	57.5	60.1	334	264
Corporate	27	27	27	26	25.4	25.4	25.4	23.9	(191)	(151)
International	15	15	14	13	12.5	12.5	12.5	10.7	(186)	(176)
SME	5	4	5	5	4.6	4.6	4.6	5.2	22	62
Total	100	100	100	100	100	100	100	100	(20)	(0)

Advance YoY Growth

Retail	18.6	18.9	22.4	21.0	20.0	20.5	21.6	21.2	20.2	(41.3)
Corporate	(12.1)	(6.4)	(2.8)	(2.3)	(0.1)	2.0	(1.6)	3.3	561.7	491.7
International	(25.0)	(21.2)	(14.6)	(13.6)	(9.7)	(4.0)	(5.1)	(2.4)	1,125.0	270.5
Domestic	(2.6)	4.4	4.6	4.3	5.4	5.3	0.1	6.0	172.3	588.8
SME	16.2	6.3	17.7	15.0	13.7	21.8	12.2	19.5	450.1	726.3
Advance	3.3	6.3	10.5	10.4	11.3	12.8	11.7	14.5	411.6	283.3

Source: Company, Angel Research, % changes are on bps

Exhibit 5: SOTP Summary

Particular	%	Valuation Methodology	Value/share (₹)
Value of ICICI standalone	100	2x FY21E ABV	384
Subsidiaries			
ICICI Prudential Life	54.9	On Current M.Cap	44
General Insurance	56	On Current M.Cap	45
ICICI Pru AMC	51	5% of current AUM	14
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			26
Total subsidiaries' value @ 20% discount			103
Fair value per share			487

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.6x FY2021E ABV. We believe strength of liability franchise (CASA - 50%), shift in loan mix towards retail assets & better rated companies, strong capitalization (tier I of 14.73%), 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.

Income Statement

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	21,738	23,025	27,015	31,749	37,524
- YoY Growth (%)	2	6	17	18	18
Other Income	19,503	17,419	14,511	15,861	18,752
- YoY Growth (%)	27	(11)	-17	9	18
Operating Income	41,241	40,444	41,526	47,610	56,275
- YoY Growth (%)	13	(2)	3	15	18
Operating Expenses	14,754	15,704	18,089	20,739	23,959
- YoY Growth (%)	16	6	15	15	16
Pre - Provision Profit	26,487	24,741	23,437	26,870	32,317
- YoY Growth (%)	11	(7)	-5	15	20
Prov. & Cont.	15,207	17,307	19,661	10,070	11,720
- YoY Growth (%)	30	14	14	(49)	16
Profit Before Tax	11,279	7,434	3,776	16,800	20,597
- YoY Growth (%)	(8)	(34)	-49	345	23
Prov. for Taxation	1,478	789	413	4,200	5,149
- as a % of PBT	13	11	11	25	25
PAT	9,802	6,645	3,362	12,600	15,448
- YoY Growth (%)	1	(32)	(49.4)	275	23

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	1,17,154	1,29,512
Net worth	99,951	1,05,160	1,08,368	1,18,449	1,30,807
Deposits	4,90,039	5,60,975	6,52,920	7,49,240	8,59,771
- Growth (%)	16	14	16	15	15
Borrowings	1,47,556	1,82,859	1,65,320	1,88,611	2,20,648
Other Liab. & Prov.	34,245	30,195	37,851	44,620	69,769
Total Liabilities	7,71,791	8,79,189	9,64,459	11,00,921	12,80,995
Cash Balances	31,702	33,102	37,858	44,274	50,805
Bank Balances	44,011	51,067	42,438	33,882	38,881
Investments	1,61,507	2,02,994	2,07,733	2,41,287	2,79,437
Advances	4,64,232	5,12,395	5,86,647	6,76,443	7,91,342
- Growth (%)	7	10	14	15	17
Fixed Assets	7,805	7,904	7,931	11,491	13,186
Other Assets	62,535	71,727	81,852	93,545	1,07,345
Total Assets	7,71,791	8,79,189	9,64,459	11,00,921	12,80,995

Exhibit 6: 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	44	43
RoA	1.3	0.8	0.4	1.2	1.3
RoE	10	6	3	11	12
B/S ratios (%)					
CASA Ratio	50	52	50	51	51
Credit/Deposit Ratio	0.95	0.91	0.90	0.90	0.92
Asset Quality (%)					
Gross NPAs	7.9	8.8	6.7	5.1	3.7
Net NPAs	4.9	3.5	2.7	2.0	1.5
Slippages	7.5	6.4	2.5	2.0	1.5
Loan Loss Prov. /Avg. Assets	2.04	2.10	2.13	0.98	0.98
Provision Coverage	40	48	71	70	70
Per Share Data (₹)					
EPS	15	10	5	20	24
ABVPS (70% cover.)	119	129	153	169	188
DPS	2	2	1	4	5
Valuation Ratios					
PER (x)	28	42	83	22	18
P/ABVPS (x)	3.6	3.3	2.8	2.6	2.3
Dividend Yield (%)	0.5	0.5	0.2	0.9	1.1
DuPont Analysis					
NII	2.9	2.8	2.9	3.1	3.2
(-) Prov. Exp.	2.0	2.1	2.1	1.0	1.0
Adj. NII	0.9	0.7	0.8	2.1	2.2
Other Inc.	2.6	2.1	1.6	1.5	1.6
Op. Inc.	3.5	2.8	2.4	3.6	3.7
Opex	2.0	1.9	2.0	2.0	2.0
PBT	1.5	0.9	0.4	1.6	1.7
Taxes	0.2	0.1	0.0	0.4	0.4
RoA	1.3	0.8	0.4	1.2	1.3
Leverage	7.9	8.0	8.6	9.1	9.6
RoE	10.3	6.5	3.1	11.1	12.4

Source: Valuation done on Closing price of 24/5/2019

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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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