

## ICICI Bank

### Performance Highlights

Particulars (₹ cr)	3QFY18	2QFY18	% chg (qoq)	3QFY17	% chg (yoy)
NII	6,102	6,022	1.3	5,590	9.2
Pre-prov. profit	5,808	7,513	(22.7)	5,184	12.0
<b>PAT</b>	(120)	1,019	-	2,050	-

Source: Company, Angel Research

ICICI Bank reported loss of ₹120cr owing to MTM losses (after IPru Life stake sale) and elevated provisions (increased coverage on NCLT exposure). Net interest income grew by 9.2% and reported NIM compressed by 5bps/8bps qoq/yoy to 3.19%. Slippage for Q1FY19 was ₹4,036cr, which is lowest from last 11 quarter.

#### Healthy growth in retail advances; slippages at low

During 1QFY19, the bank's advances grew by 11.3% yoy (0.6% qoq), aided by healthy retail loan book growth of 20% yoy. The main drivers leading to the growth in the retail loan book were Personal loans/credit card/business banking loan, which grew by 47.7%/27.9%/40.7 yoy respectively. Retail contribution to total loans increased to 57.5% as compared to 53.3% in the corresponding quarter of the previous year. The corporate loan book grew 5.4% yoy, declined 0.8% qoq.

Deposits growth was modest at 12.5% yoy, while CASA deposits saw a growth of 16.1% yoy, resulting in improvement in CASA ratio by 157bps yoy to 50.5%. The reported NIM fell by 5bps/8bps qoq/yoy to 3.19%, with domestic NIM at 3.54% as compared to 3.67% in 4QFY18.

On the asset quality front, the bank witnessed slippages during the quarter to the tune of ₹4,036cr, which were at multi quarter lows and largely driven by drill down list and existing addition to NPA (exchange fluctuation). The Gross NPA ratio declined 3bps sequentially to 8.81%, whereas the Net NPA declined 58bps qoq to 4.2% in Q1FY19. The bank has sequentially enhanced provision in NCLT-1 from 52.6% to 87.9% and in NCLT-2 from 47.8% to 6.7%. Total exposure (funded and Non-funded) stand at ₹14,300cr.

**Outlook & Valuation:** At the current market price, the bank's core banking business (after adjusting value of subsidiaries) is trading at 1.16x FY20E ABV. We believe strength of liability franchise (CASA-50%), shift in loan mix towards retail assets and better rated companies, Strong capitalization (tier I of 14.42%), and steady improvement in stress loan and going forward quick resolution under IBC would be the key trigger for multiple expansion. **We recommend a Buy rating on the stock, with a target price of ₹411.**

#### Key financials (Standalone)

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2012E
NII	21,738	23,025	26,781	30,126
% chg	2	6	16	12
<b>Net profit</b>	9,802	6,645	6,807	12,339
% chg	0.8	(32.2)	2.4	81
NIM (%)	3.2	3.1	3.2	3.3
<b>EPS (₹)</b>	15	10	11	19
P/E (x)	20	30	29	16
P/ABV (x)	3	2	2	2
RoA (%)	1.3	0.8	0.7	1.2
<b>RoE (%)</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>11</b>

Source: Company, Angel Research; Note: CMP as of July 30, 2018

Please refer to important disclosures at the end of this report

## BUY

CMP	₹307
Target Price	₹411

Investment Period	12 Months
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#### Stock Info

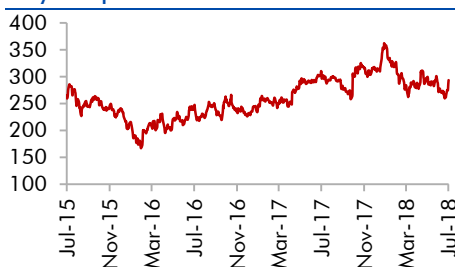
Sector	Banking
Market Cap (₹ cr)	1,97,635
Beta	1.6
52 Week High / Low	365.7/256
Avg. Daily Volume	13,74,077
Face Value (₹)	2
BSE Sensex	37,494
Nifty	11,319
Reuters Code	ICBK.NS
Bloomberg Code	ICICIBC@IN

#### 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	6.2	14.8	35.5
ICICI Bank	3.1	(2.9)	10.8

#### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: quarterly results summary**

Particulars (₹ cr)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	% YoY	% QoQ
<b>Interest earned</b>	<b>13,639</b>	<b>13,618</b>	<b>13,569</b>	<b>13,459</b>	<b>13,577</b>	<b>13,665</b>	<b>14,264</b>	<b>14,722</b>	<b>9.4</b>	<b>3.2</b>
- on Advances / Bills	9,905	9,870	9,991	9,847	10,090	10,238	10,690	10,982	11.5	2.7
- on investments	2,997	2,948	2,622	2,827	2,879	2,860	3,001	3,136	10.9	4.5
- on balance with RBI & others	38	126	282	199	145	154	166	227	14.1	36.5
- on others	699	675	674	586	463	412	406	378	(35.5)	(7.0)
<b>Interest Expended</b>	<b>8,386</b>	<b>8,254</b>	<b>7,606</b>	<b>7,869</b>	<b>7,868</b>	<b>7,960</b>	<b>8,243</b>	<b>8,620</b>	<b>9.5</b>	<b>4.6</b>
<b>Net Interest Income</b>	<b>5,253</b>	<b>5,364</b>	<b>5,962</b>	<b>5,590</b>	<b>5,709</b>	<b>5,705</b>	<b>6,022</b>	<b>6,102</b>	<b>9.2</b>	<b>1.3</b>
<b>Other income</b>	<b>9,119</b>	<b>3,938</b>	<b>3,017</b>	<b>3,388</b>	<b>5,186</b>	<b>3,167</b>	<b>5,678</b>	<b>3,851</b>	<b>13.7</b>	<b>(32.2)</b>
- Fee income	2,356	2,495	2,446	2,377	2,570	2,639	2,755	2,754	15.9	(0.0)
- Treasury income	6412	893	503	858	2193	66	2685	766	(10.7)	(71.5)
- Others	351	550	68	153	423	462	238	331	116.3	39.1
<b>Operating income</b>	<b>14,372</b>	<b>9,302</b>	<b>8,979</b>	<b>8,978</b>	<b>10,895</b>	<b>8,872</b>	<b>11,700</b>	<b>9,953</b>	<b>10.9</b>	<b>(14.9)</b>
<b>Operating expenses</b>	<b>3,736</b>	<b>3,778</b>	<b>3,867</b>	<b>3,794</b>	<b>3,909</b>	<b>3,814</b>	<b>4,186</b>	<b>4,145</b>	<b>9.3</b>	<b>(1.0)</b>
- Employee expenses	1,556	1,406	1,480	1,511	1,514	1,363	1,526	1,514	0.2	(0.8)
- Other Opex	2,180	2,372	2,387	2,283	2,395	2,452	2,660	2,631	15.3	(1.1)
<b>Pre-provision Profit</b>	<b>10,636</b>	<b>5,524</b>	<b>5,112</b>	<b>5,184</b>	<b>6,986</b>	<b>5,057</b>	<b>7,513</b>	<b>5,808</b>	<b>12.0</b>	<b>(22.7)</b>
Provisions & Contingencies	7082	2713	2898	2609	4503	3570	6626	5971	128.9	(9.9)
<b>PBT</b>	<b>3,554</b>	<b>2,812</b>	<b>2,214</b>	<b>2,575</b>	<b>2,483</b>	<b>1,488</b>	<b>888</b>	<b>(164)</b>	-	-
Provision for Tax	451	369	189	526	425	(162.1)	(131.8)	(43.4)	-	-
<b>PAT</b>	<b>3,103</b>	<b>2,442</b>	<b>2,025</b>	<b>2,050</b>	<b>2,058</b>	<b>1,650</b>	<b>1,019</b>	<b>(120)</b>	-	-

Source: Company, Angel Research

**Exhibit 2: Strong Retail lending supports Loan Growth**

Particulars (₹ cr)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	% YoY	% QoQ
<b>Domestic Corporate</b>	<b>1,29,921</b>	<b>1,26,735</b>	<b>1,24,372</b>	<b>1,31,316</b>	<b>1,35,949</b>	<b>1,32,198</b>	<b>1,31,137</b>	<b>5.4</b>	<b>(0.8)</b>
<b>Overseas branches</b>	<b>82,802</b>	<b>74,741</b>	<b>71,468</b>	<b>71,934</b>	<b>70,754</b>	<b>64,562</b>	<b>64,536</b>	<b>(9.7)</b>	<b>(0.0)</b>
<b>SME</b>	<b>21,044</b>	<b>22,283</b>	<b>20,883</b>	<b>20,760</b>	<b>24,764</b>	<b>25,620</b>	<b>23,749</b>	<b>13.7</b>	<b>(7.3)</b>
<b>Retail Total</b>	<b>2,23,703</b>	<b>2,40,472</b>	<b>2,47,352</b>	<b>2,58,770</b>	<b>2,73,920</b>	<b>2,91,040</b>	<b>2,96,866</b>	<b>20.0</b>	<b>2.0</b>
<b>Total</b>	<b>4,57,469</b>	<b>4,64,232</b>	<b>4,64,075</b>	<b>4,82,780</b>	<b>5,05,387</b>	<b>5,13,420</b>	<b>5,16,289</b>	<b>11.3</b>	<b>0.6</b>
<b>Loan Mix (%)</b>									
<b>Domestic Corporate</b>	<b>28</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>26</b>	<b>25</b>		
<b>Overseas branches</b>	<b>18</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>13</b>	<b>13</b>		
<b>SME</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>		
<b>Retail Total</b>	<b>49</b>	<b>52</b>	<b>53.3</b>	<b>53.6</b>	<b>54.2</b>	<b>56.7</b>	<b>57.5</b>		

Source: Company, Angel Research

**Exhibit 3: Slippages at multi quarter lows**

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

Source: Company, Angel Research

**Exhibit 4: Declining trend in stress loans**

Particulars (₹ cr)	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
<b>Outstanding stock of bad loans</b>	<b>53,300</b>	<b>48,100</b>	<b>44,300</b>	<b>38,200</b>	<b>30,100</b>	<b>28,300</b>	<b>28,300</b>	<b>25,800</b>	<b>13,461</b>	<b>11,898</b>
(% of loans)	12.2%	10.7%	9.8%	8.4%	6.5%	6.1%	5.9%	5.1%	2.6%	2.3%
NPA										
Sub investment grade	44,100	38,700	32,500	27,500	19,000	20,400	19,600	19,100	4,728	4,401
Security receipts	600	2,200	2,800	2,800	3,300	3,400	3,500	3,400	3,438	3,438
<b>Other dispensation</b>	<b>8,600</b>	<b>7,200</b>	<b>9,000</b>	<b>7,900</b>	<b>7,800</b>	<b>4,500</b>	<b>5,200</b>	<b>3,300</b>	<b>5,295</b>	<b>4,059</b>
Restructured loans	8,600	7,200	6,300	6,400	4,300	2,400	2,000	1,800	1,595	1,445
...5.25	-	-	2,700	900	1,700	200	200	200	-	2,004
SDR	-	-	-	600	1,500	1,500	2,700	1,000	-	-
S4A	-	-	-	-	300	400	300	300	2,200	610
Other	-	-	-	-	-	-	-	-	1,500	-

Source: Company, Angel Research

**Exhibit 5: SOTP valuation summary**

Particulars	%	Valuation Methodology	Value/share (₹)
<b>Value of ICICI standalone</b>	100	1.9x FY20E ABV	306
<b>Subsidiaries</b>			
ICICI Prudential Life	55	On Current M.Cap	49
General Insurance	56	On Current M.Cap	30
Mutual Fund	51	8% of current AUM	19
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			33
Total subsidiaries' value @ 20% discount			105
<b>Fair value per share</b>			<b>411</b>

Source: Company, Angel Research

**Outlook & Valuation:** At the current market price, the bank's core banking business (after adjusting value of subsidiaries) is trading at 1.16x FY20E ABV. We believe strength of liability franchise (CASA-50%), shift in loan mix towards retail assets and better rated companies, Strong capitalization (tier I of 14.42%), and steady improvement in stress loan and going forward quick resolution under IBC would be the key trigger for multiple expansion. **We recommend a Buy rating on the stock, with a target price of ₹411.**

### Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
<b>Net Interest Income</b>	<b>21,224</b>	<b>21,738</b>	<b>23,025</b>	<b>26,781</b>	<b>30,126</b>
- YoY Growth (%)	11	2	6	16	12
<b>Other Income</b>	<b>15,323</b>	<b>19,503</b>	<b>17,419</b>	<b>14,458</b>	<b>15,957</b>
- YoY Growth (%)	26	27	(11)	(17)	10
<b>Operating Income</b>	<b>36,547</b>	<b>41,241</b>	<b>40,444</b>	<b>41,239</b>	<b>46,083</b>
- YoY Growth (%)	17	13	(2)	2	12
<b>Operating Expenses</b>	<b>12,684</b>	<b>14,754</b>	<b>15,704</b>	<b>17,196</b>	<b>19,812</b>
- YoY Growth (%)	10	16	6	10	15
<b>Pre - Provision Profit</b>	<b>23,863</b>	<b>26,487</b>	<b>24,741</b>	<b>24,042</b>	<b>26,271</b>
- YoY Growth (%)	21	11	(7)	-3	9
<b>Prov. &amp; Cont.</b>	<b>11,668</b>	<b>15,207</b>	<b>17,307</b>	<b>15,209</b>	<b>9,820</b>
- YoY Growth (%)	199	30	14	(12)	(35)
<b>Profit Before Tax</b>	<b>12,196</b>	<b>11,279</b>	<b>7,434</b>	<b>8,833</b>	<b>16,451</b>
- YoY Growth (%)	(23)	(8)	(34)	19	86
<b>Prov. for Taxation</b>	<b>2,469</b>	<b>1,478</b>	<b>789</b>	<b>2,026</b>	<b>4,113</b>
- as a % of PBT	20	13	11	23	25
<b>PAT</b>	<b>9,726</b>	<b>9,802</b>	<b>6,645</b>	<b>6,807</b>	<b>12,339</b>
- YoY Growth (%)	(13)	1	(32)	2.4	81

### Balance Sheet

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Equity	1,170	1,171	1,292	1,292	1,292
Reserve & Surplus	88,566	98,780	1,03,868	1,09,592	1,19,463
<b>Net worth</b>	<b>89,736</b>	<b>99,951</b>	<b>1,05,160</b>	<b>1,10,883</b>	<b>1,20,754</b>
Deposits	4,21,426	4,90,039	5,60,975	6,18,036	7,09,211
- Growth (%)	17	16	14	10	15
Borrowings	1,74,807	1,47,556	1,82,859	1,91,026	2,17,938
Other Liab. & Prov.	34,726	34,245	30,195	25,807	40,243
<b>Total Liabilities</b>	<b>7,20,695</b>	<b>7,71,791</b>	<b>8,79,189</b>	<b>9,45,752</b>	<b>10,88,146</b>
Cash Balances	27,106	31,702	33,102	38,523	44,622
Bank Balances	32,763	44,011	51,067	27,689	32,072
Investments	1,60,412	1,61,507	2,02,994	2,21,287	2,55,165
<b>Advances</b>	<b>4,35,264</b>	<b>4,64,232</b>	<b>5,12,395</b>	<b>5,72,419</b>	<b>6,56,863</b>
- Growth (%)	12	7	10	12	15
Fixed Assets	7,577	7,805	7,904	9,390	10,877
Other Assets	57,574	62,535	71,727	76,445	88,547
<b>Total Assets</b>	<b>7,20,695</b>	<b>7,71,791</b>	<b>8,79,189</b>	<b>9,45,752</b>	<b>10,88,146</b>

### Key Ratio

Y/E March	FY16	FY17	FY18	FY19E	FY20E
<b>Profitability ratios (%)</b>					
NIMs	3.3	3.2	3.1	3.2	3.3
Cost to Income Ratio	35	36	39	42	43
RoA	1.4	1.3	0.8	0.7	1.2
RoE	11	10	6	6	11
<b>B/S ratios (%)</b>					
CASA Ratio	46	50	52	51	51
Credit/Deposit Ratio	1.03	0.95	0.91	0.93	0.93
<b>Asset Quality (%)</b>					
Gross NPAs	5.2	7.9	8.8	7.0	5.8
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	1.67	0.97
Provision Coverage	50	60	60	60	60
<b>Per Share Data (₹)</b>					
EPS	15	15	10	11	19
ABVPS (75% cover.)	112	116	125	145	161
DPS	5	2	2	2	4
<b>Valuation Ratios</b>					
PER (x)	20	20	30	29	16
P/ABVPS (x)	2.7	2.6	2.5	2.1	1.9
Dividend Yield (%)	1.5	0.7	0.7	0.7	1.2
<b>DuPont Analysis</b>					
Int Income	7.7	7.3	6.7	6.8	7.0
Int Exp	4.6	4.3	3.9	3.9	4.1
<b>NII</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>
(-) Prov. Exp.	1.7	2.0	2.1	1.7	1.0
Adj. NII	1.4	0.9	0.7	1.3	2.0
Other Inc.	2.2	2.6	2.1	1.6	1.6
Op. Inc.	3.6	3.5	2.8	2.9	3.6
Opex	1.9	2.0	1.9	1.9	1.9
PBT	1.8	1.5	0.9	1.0	1.6
Taxes	0.4	0.2	0.1	0.2	0.4
<b>RoA</b>	<b>1.4</b>	<b>1.3</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>
Leverage	8.0	7.9	8.0	8.4	8.8
<b>RoE</b>	<b>11.4</b>	<b>10.3</b>	<b>6.5</b>	<b>6.3</b>	<b>10.7</b>

Source: Company

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**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)