

ICICI Bank

Performance Highlights

Particulars (₹ cr)	Q3FY19	Q2FY19	% chg (qoq)	3QFY18	% chg (yoy)
NII	6,875	6,418	7.13	5,705	20.52
Pre-prov. profit	6,146	5,250	17.08	5,057	21.54
PAT	1,605	909	76.60	1,650	-2.72

Source: Company, Angel Research

ICICI Bank reported net profit of ₹1,605cr in Q3FY2019, lower than estimates owing to higher provisions (up 19% yoy). Higher provisions due to aging of bad assets, this led to PCR increasing sharply by 900pbs qoq to 68.5% (considering Technical/prudential write-offs it stood at 76%)

Healthy growth in retail advances; slippages at low

During Q3FY2019, the bank's advances grew by 11.7% yoy (3.6% qoq) aided by healthy retail loan book growth of 21.6% yoy. The main drivers leading to the growth in the retail loan book were personal loans/business banking, which grew by 50%/41% yoy respectively. Retail contribution to total loans increased to 59% vs. 54.21% in Q3FY2018.

Deposits growth was healthy at 17% yoy, while CASA deposits also saw a growth of 17% yoy. Reported NIM for the quarter expanded 7bps/26bps qoq/yoy to 3.4% mainly due to interest collection on NPAs.

On the asset quality front, the bank witnessed slippages (fresh formation of NPA) during the quarter to the tune of ₹2,091cr, which were at multi quarter lows and largely driven by the portfolio rated BB & below. Further, GNPA/NNPA ratio declined by 79bps/107bps qoq to 7.75%/2.58% 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 1.4x 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 15.1%), 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 ₹460.**

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19E	FY20E	FY21E
NII	21,738	23,025	26,952	33,084	37,858
% chg	2	6	17	23	14
Net profit	9,802	6,645	5,077	14,230	16,033
% chg	0.8	(32.2)	(23.6)	180	13
NIM (%)	3.2	3.1	3.3	3.6	3.6
EPS (₹)	15	10	8	22	25
P/E (x)	23	34	44	16	14
P/ABV (x)	3	3	2	2	2
RoA (%)	1.3	0.8	0.6	1.4	1.4
RoE (%)	10	6	5	12	13

Source: Company, Angel Research; Note: CMP as of February 14, 2018

Please refer to important disclosures at the end of this report

BUY

CMP	₹343
Target Price	₹460

Investment Period	12 Months
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Stock Info

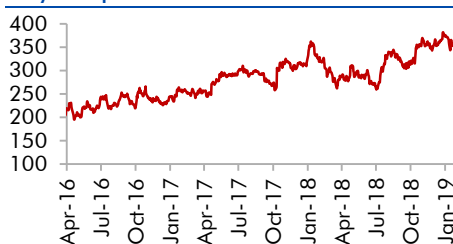
Sector	Banking
Market Cap (₹ cr)	2,21,590
Beta	1.3
52 Week High / Low	383/256
Avg. Daily Volume	17,06,885
Face Value (₹)	2
BSE Sensex	35,876
Nifty	10,746
Reuters Code	ICBK.NS
Bloomberg Code	ICICIBC@IN

Shareholding Pattern (%)

Promoters	NA
MF / Banks / Indian Fls	34.6
FII / NRIs / OCBs	57.3
Indian Public / Others	8.1

Abs. (%)	3m	1yr	3yr
Sensex	1.2	4.6	51.3
ICICI Bank	(6.3)	4.6	86.0

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	YoY	QoQ
Interest Income	13,459	13,577	13,665	14,264	14,722	15,106	16,280	19.1	7.8
Interest Expenses	7,869	7,868	7,960	8,243	8,620	8,688	9,405	18.2	8.3
Net Interest Income (NII)	5,590	5,709	5,705	6,022	6,102	6,418	6,875	20.5	7.1
Other Income	3,388	5,186	3,167	5,678	3,851	3,156	3,883	22.6	23.0
Total Income	16,847	18,763	16,832	19,942	18,573	18,262	20,163	19.8	10.4
Net Income	8,978	10,895	8,872	11,700	9,953	9,574	10,758	21.3	12.4
Operating Expenses	3,794	3,909	3,814	4,186	4,145	4,324	4,612	20.9	6.6
Employee Expenses	1,511	1,514	1,363	1,526	1,514	1,661	1,734	27.3	4.4
Other Operating Expenses	2,283	2,395	2,452	2,660	2,631	2,663	2,878	17.4	8.1
Cost / Income %	42.3%	35.9%	43.0%	35.8%	41.6%	45.2%	42.9%	-12bp-230bp	
Operating Profit	5,184	6,986	5,057	7,513	5,808	5,250	6,146	21.5	17.1
Provisions	2,609	4,503	3,570	6,626	5,971	3,994	4,244	18.9	6.3
PBT	2,575	2,483	1,488	888	-164	1,255	1,902	27.9	51.5
Provisions for Tax	526	425	-162	-132	-43	347	297	-283.5	-14.2
Tax Rate %	20.4%	17.1%	-10.9%	12.0%	23.0%	23.0%	23.0%		
PAT	2,050	2,058	1,650	1,019	-120	909	1,605	-2.7	76.6
Balance Sheet									
Advances	4,64,075	4,82,780	5,05,387	5,12,395	5,16,289	5,44,487	5,64,308	11.7	3.6
SME	20,883	20,760	24,764	25,620	23,749	25,294	27,788	12.2	9.9
Domestic Corporate	1,24,372	1,31,316	1,35,949	1,32,198	1,31,137	1,38,329	1,36,147	0.1	-1.6
Overseas Branches	71,468	71,934	70,754	64,562	64,536	69,051	67,164	-5.1	-2.7
Retail Loans	2,47,352	2,58,770	2,73,920	2,91,040	2,96,866	3,11,813	3,33,208	21.6	6.9
Deposits	4,86,254	4,98,643	5,17,403	5,60,975	5,46,878	5,58,669	6,06,755	17.3	8.6
Savings	1,69,950	1,78,480	1,85,851	2,00,967	1,99,604	2,07,476	2,10,793	13.4	1.6
Current	68,073	68,396	74,784	88,958	76,689	76,072	88,581	18.4	16.4
CASA	2,38,023	2,46,876	2,60,635	2,89,925	2,76,293	2,82,250	3,06,544	17.6	8.6
CASA%	49.0%	50%	50.4%	51.7%	50.5%	50.75%	49.34%	-103%	-141%
Term	2,48,231	2,51,767	2,56,768	2,71,050	2,70,585	2,75,121	3,07,381	19.7	11.7
Borrowings	1,41,460	1,50,702	1,58,176	1,82,859	1,61,970	1,74,686	1,64,293	3.9	-5.9
Profitability (%)									
								Change	In bps
Yield Advance	8.49%	8.53%	8.29%	8.40%	8.54%	8.68%	9.04%	74.7	35.4
Yield on Investment	6.52%	6.30%	6.36%	6.27%	6.44%	6.60%	6.72%	36.1	11.8
Yield on Maneycal	2.75%	2.95%	2.52%	1.78%	2.18%	2.08%	1.91%	-61.1	-17.4
Yield on Other	0.51%	0.39%	0.33%	0.32%	0.29%	0.27%	0.28%	-5.6	0.6
Cost of Fund	4.8%	4.93%	4.75%	4.49%	4.54%	4.78%	4.62%	-13.1	-16.2
Calculated NIM	3.35%	3.38%	3.27%	3.27%	3.25%	3.44%	3.55%	28.0	10.5
Reported NIM	3.27%	3.27%	3.14%	3.24%	3.19%	3.33%	3.40%	26.0	7.0
Domestic	3.62%	3.57%	3.53%	3.67%	3.54%	3.71%	3.72%	19.0	1.0
Overseas	0.73%	0.95%	0.29%	0.04%	0.30%	0.05%	0.77%	48.0	72.0

Source: Company

Exhibit 2: GNPA Movement and fresh formation of NPA are at multi year low

Particular(₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Opening gross NPA	42,552	43,148	44,489	46,039	54,063	53,465	54,489
Add: gross additions	4,976	4,674	4,380	15,737	4,036	3,117	2,091
Slippages (%)	1.07%	0.97%	0.87%	3.07%	0.78%	0.57%	0.37%
Slippages Annulised (%)		3.87%	3.47%	12.29%	3.13%	2.29%	1.48%
Less: recoveries & upgrades	2,775	1,029	1,108	4,234	2,036	1,006	1,916
% of Adv recoveries & upgrades	0.60%	0.21%	0.22%	0.83%	0.39%	0.18%	0.34%
Net additions	2,201	3,645	3,272	11,503	2,000	2,111	175
Less: write-offs & sale	1,605	2,304	1,722	3,479	2,598	1,087	3,037
% of Adv recoveries & upgrades	0.35%	0.48%	0.34%	0.68%	0.50%	0.20%	0.54%
Closing gross NPAs	43,148	44,489	46,039	54,063	53,465	54,489	51,627
Reported GNPA (%)	8.0%	7.87%	7.82%	8.84%	8.81%	8.54%	7.75%
Less - Provision	17,842	20,359	22,229	26,177	29,295	32,403	35,339
Net NPAs	25,306	24,130	23,810	27,886	24,170	22,086	16,288
Reported Net NPA ratio (%)	4.86%	4.43%	4.20%	4.77%	4.19%	3.65%	2.58%
PCR	41.35%	45.76%	48.28%	48.42%	54.79%	59.47%	68.45%

Source: Company

Exhibit 3: SOTP Summary

Particular	%	Valuation Methodology	Value/share (₹)
Value of ICICI standalone	100	2x FY21E ABV	370
Subsidiaries			
ICICI Prudential Life	54.9	On Current M.cap	36
General Insurance	56	On Current M.cap	36
AMC	51	5% of current AUM	12
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			25
Total subsidiaries' value @ 20% discount			87
Fair value per share			460

Source: Company, valuation done on closing price of 14/2/19

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.4x 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 15.1%), 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 ₹460.**

Income Statement

Y/E March (₹ cr)	FY17	FY18	FY19E	FY20E	FY21E
Net Interest Income	21,738	23,025	26,952	33,084	37,858
- YoY Growth (%)	2	6	17	23	14
Other Income	19,503	17,419	14,623	16,282	18,396
- YoY Growth (%)	27	(11)	-16	11	13
Operating Income	41,241	40,444	41,575	49,366	56,254
- YoY Growth (%)	13	(2)	3	19	14
Operating Expenses	14,754	15,704	17,729	20,373	23,378
- YoY Growth (%)	16	6	13	15	15
Pre - Provision Profit	26,487	24,741	23,846	28,993	32,875
- YoY Growth (%)	11	(7)	-4	22	13
Prov. & Cont.	15,207	17,307	17,368	10,019	11,498
- YoY Growth (%)	30	14	0	(42)	15
Profit Before Tax	11,279	7,434	6,479	18,974	21,378
- YoY Growth (%)	(8)	(34)	-13	193	13
Prov. for Taxation	1,478	789	1,402	4,743	5,344
- as a % of PBT	13	11	22	25	25
PAT	9,802	6,645	5,077	14,230	16,033
- YoY Growth (%)	1	(32)	(23.6)	180	13

Balance Sheet

Y/E March (₹ cr)	FY17	FY18	FY19E	FY20E	FY21E
Equity	1,171	1,292	1,294	1,294	1,294
Reserve & Surplus	98,780	1,03,868	1,08,021	1,19,405	1,32,232
Net worth	99,951	1,05,160	1,09,315	1,20,699	1,33,526
Deposits	4,90,039	5,60,975	6,40,126	7,34,560	8,42,924
- Growth (%)	16	14	14	15	15
Borrowings	1,47,556	1,82,859	1,77,436	2,02,434	2,36,820
Other Liab. & Prov.	34,245	30,195	20,422	32,197	37,404
Total Liabilities	7,71,791	8,79,189	9,47,299	10,89,890	12,50,673
Cash Balances	31,702	33,102	37,406	43,328	49,720
Bank Balances	44,011	51,067	28,678	33,218	38,119
Investments	1,61,507	2,02,994	2,08,253	2,40,145	2,75,572
Advances	4,64,232	5,12,395	5,84,059	6,70,221	7,69,094
- Growth (%)	7	10	14	15	15
Fixed Assets	7,805	7,904	9,726	11,265	12,927
Other Assets	62,535	71,727	79,177	91,712	1,05,241
Total Assets	7,71,791	8,79,189	9,47,299	10,89,890	12,50,673

Key Ratio

Y/E March	FY17	FY18	FY19E	FY20E	FY21E
Profitability ratios (%)					
NIMs	3.2	3.1	3.3	3.6	3.6
Cost to Income Ratio	36	39	43	41	42
RoA	1.3	0.8	0.6	1.4	1.4
RoE	10	6	5	12	13
B/S ratios (%)					
CASA Ratio	50	52	49	51	51
Credit/Deposit Ratio	0.95	0.91	0.91	0.91	0.91
Asset Quality (%)					
Gross NPAs	7.9	8.8	6.9	5.7	4.4
Net NPAs	4.9	3.5	2.8	2.3	1.7
Slippages	7.5	6.4	2.5	2.0	1.5
Loan Loss Prov. /Avg. Assets	2.04	2.10	1.90	0.98	0.98
Provision Coverage	60	60	60	60	60
Per Share Data (₹)					
EPS	15	10	8	22	25
ABVPS (70% cover.)	120	129	147	165	185
DPS	2	2	2	4	5
Valuation Ratios					
PER (x)	23	34	44	16	14
P/ABVPS (x)	2.9	2.7	2.4	2.1	1.9
Dividend Yield (%)	0.7	0.6	0.5	1.3	1.4
DuPont Analysis					
Int Income	7.3	6.7	6.9	7.4	7.4
Int Exp	4.3	3.9	4.0	4.2	4.2
NII	2.9	2.8	3.0	3.2	3.2
(-) Prov. Exp.	2.0	2.1	1.9	1.0	1.0
Adj. NII	0.9	0.7	1.0	2.3	2.3
Other Inc.	2.6	2.1	1.6	1.6	1.6
Op. Inc.	3.5	2.8	2.7	3.9	3.8
Opex	2.0	1.9	1.9	2.0	2.0
PBT	1.5	0.9	0.7	1.9	1.8
Taxes	0.2	0.1	0.2	0.5	0.5
RoA	1.3	0.8	0.6	1.4	1.4
Leverage	7.9	8.0	8.5	8.9	9.2
RoE	10.3	6.5	4.7	12.4	12.6

Source: Valuation done on Closing price of 14/2/2019

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

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)