

ICICI Bank

Strong Operating Performance

Particulars (₹ Cr)	Q3FY20	Q2FY20	% chg (qoq)	Q3FY19	% chg (yoy)
NII	8,545	8,057	6	6,875	24
Pre-prov. profit	7,549	6,874	10	6,146	23
PAT	4,146	655	533	1,605	158

Source: Company, Angel Research

For Q3FY2020, ICICI Bank reported PAT of ₹4,146cr, which was driven by 24% yoy growth in NII and lower provisions. The key positive for the quarter was retail loan growth, NIM improvement and GNPA decline led by Essar recovery. Further, on the negative side slippages continued to remain elevated at ₹4,400cr due to corporate accounts, coupled with retail slippages largely owing to Kisan credit card and CV portfolios.

Recovery led to lower GNPA; BB & Below book marginally up: During the quarter, slippages remained higher at ₹4,363cr, of which ₹1,890cr slipped from retail book and ₹2,743cr slid from corporate book (Broking account & south India based industrial company). GNPA/NPA ratios improved 42bps/180bps qoq to 6%/1.5% owing to Essar Steel resolution. Further, the addition to BB & Below book disappointed (₹17,403cr, 2.7% of loan) owing to downgrades in the telecom sector. Management indicated that there could be moderate addition into BB & Below book owing to subdued macro situation. Credit cost guidance after considering recovery from IBC was in the range of 1.2-1.3% in Q2FY2020, which has been increased to 1.5-1.7% or at similar run rate of 9MFY2020, owing to a delay in resolution for some accounts.

Advances led by retail lending; NIM stable: The bank's advances grew by 13% yoy (4% qoq) aided by healthy retail loan book growth of 19% yoy. The main drivers leading to the growth in the retail loan book were personal loans/credit card lending, which grew by 51%/43% yoy. NIM stood at 3.77% against 3.64% in Q2FY2020 and 3.22% in Q3FY2019 (included a 10bps impact from interest reversals.). CASA ratio declined to 47% vs. 49.3% in Q3FY2019 as growth in term deposits (35% yoy) 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 2.1x FY2021E ABV. Key parameters to watch for the next few quarter are slippages from corporate book and addition to BB & Below book. We recommend a HOLD on the stock with a Target Price of ₹590.

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20E	FY21E	FY22E
NII	23,025	27,015	32,989	38,556	45,753
% chg	6	17	22	17	19
Net profit	6,645	3,362	10,043	17,469	21,884
% chg	(32.2)	(49.4)	199	74	25
NIM (%)	3.1	3.2	3.6	3.6	3.7
EPS (₹)	10	5	16	27	34
P/E (x)	52	103	34	20	16
P/ABV (x)	4.2	3.5	3.2	2.8	2.5
RoA (%)	0.8	0.4	1.0	1.5	1.6
RoE (%)	6.5	3.1	8.9	14.0	15.6

Source: Company, Valuation done on closing price of 27/10/2019

Please refer to important disclosures at the end of this report

HOLD

CMP	₹536
Target Price	₹590

Investment Period 12 Months

Stock Info

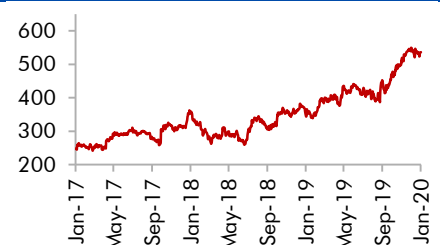
Sector	Banks
Market Cap (₹ cr)	3,47,008
Beta	1.4
52 Week High / Low	552/336
Avg. Daily Volume	11,20,862
Face Value (₹)	2
BSE Sensex	41,155
Nifty	12,119
Reuters Code	ICBK.BO
Bloomberg Code	ICICIBC IN

Shareholding Pattern (%)

Promoters	0.0
MF / Banks / Indian Fls	34.4
FII / NRIs / OCBs	36.2
Indian Public / Others	8.4

Abs. (%)	3m	1yr	3yr
Sensex	4.9	13.5	47.6
ICICIBank	14.2	56.1	116.7

3-year price chart



Source: Company, Angel Research

Jaikishan Parmar

Research Analyst

022 – 39357600 Ext: 6810

Jaikishan.parmar@angelbroking.com

Exhibit 1: Quarterly Performance

Particulars (₹ cr)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	% chg (qoq)	% chg (yoy)
Interest Earned	14,722	15,106	16,280	17,293	17,980	18,565	19,064	3	17
on Advances / Bills	10,982	11,512	12,524	12,925	13,616	14,304	14,796	3	18
on investments	3,136	3,086	3,237	3,338	3,645	3,726	3,679	(1)	14
on bal with RBI & others	227	147	135	227	147	136	184	35	37
on others	378	360	385	802	571	399	406	2	5
Interest Expended	8,620	8,688	9,405	9,673	10,243	10,508	10,519	0	12
Net Interest Income	6,102	6,418	6,875	7,620	7,737	8,057	8,545	6	24
Non Interest Income	3,851	3,156	3,883	3,621	3,425	4,194	4,574	9	18
Operating income	9,953	9,574	10,758	11,241	11,163	12,252	13,119	7	22
Operating Expenses	4,145	4,324	4,612	5,008	4,874	5,378	5,571	4	21
Employee expenses	1,514	1,661	1,734	1,899	1,953	2,141	1,942	(9)	12
Other Opex	2,631	2,663	2,878	3,109	2,921	3,236	3,629	12	26
Pre-prov. profit	5,808	5,250	6,146	6,233	6,288	6,874	7,549	10	23
Provisions & Contingencies	5,971	3,994	4,244	5,451	3,496	2,507	2,083	(17)	(51)
PBT	(164)	1,255	1,902	782	2,793	4,367	5,465	25	187
Provision for Taxes	(43)	347	297	(187)	885	3,712	1,319	(64)	344
Tax rate	26	28	16	(24)	32	85	24	(72)	54
PAT	(120)	909	1,605	969	1,908	655	4,146	533	158

Source: Company, Angel Research

Exhibit 2: Balance Sheet

Balance sheet	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	% chg (qoq)	% chg (yoy)
Advance (₹ cr)	5,16,289	5,44,487	5,64,308	5,86,647	5,92,415	6,13,359	6,35,654	4	13
Deposit (₹ cr)	5,46,878	5,58,669	6,06,755	6,52,920	6,60,732	6,96,273	7,16,345	3	18
Credit-to-Deposit Ratio (%)	94	97	93	90	90	88	89	64.4bp	(426.9)bp
CA (₹ cr)	76,689	76,072	88,581	96,269	80,401	94,431	1,00,989	7	14
SA (₹ cr)	1,99,604	2,07,476	2,10,793	2,27,671	2,18,476	2,30,569	2,35,420	2	12
CASA deposits (₹ cr)	2,76,293	2,83,548	2,99,374	3,23,940	2,98,877	3,25,000	3,36,409	4	12
CASA %	50.5	50.8	49.3	49.6	45.2	46.7	47.0	28.5bp	(237.8)bp
Tier-I ratio	15.8	15.4	15.1	15.1	14.6	14.6	15.0	36bp	(16)bp
of which - CET1	14.4	14.0	13.7	13.6	13.2	13.2	13.6	38bp	(4)bp
Tier-II ratio	2.5	2.5	2.0	1.8	1.6	1.5	1.5	0bp	(49)bp
Total CAR ratio	18.4	17.8	17.2	16.9	16.2	16.1	16.5	36bp	(65)bp

Source: Company, Angel Research

Exhibit 3: NIM Improved; Slippages remained elevated

Profitability Ratios (%)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	% chg (qoq)	% chg (yoy)
Rep. Yield on Advance	8.71	8.79	9.00	9.29	9.36	9.52	9.52	0bp	52bp
Rep. Cost of fund	4.99	5.00	5.14	5.20	5.23	5.19	5.06	(13)bp	(8)bp
Cost of Deposit	4.81	4.76	4.88	5.00	5.08	5.06	4.96	(10)bp	8bp
Reported NIM	3.19	3.33	3.22	3.72	3.61	3.64	3.77	13bp	55bp
Cost-to-income ratio	41.6	45.2	42.9	44.5	43.7	43.9	42.5	(143.1)bp	(40.5)bp
Asset quality									
Gross NPAs (₹ cr)	53,465	54,489	51,627	46,328	45,799	45,695	43,454	(0)	(16)
Gross NPAs (%)	8.8	8.5	7.8	6.7	6.5	6.4	6.0	(42)bp	(180)bp
Net NPAs (₹ cr)	24,170	22,086	16,288	13,613	11,893	10,972	10,389	(8)	(50)
Net NPAs (%)	4.2	3.7	2.6	2.1	1.8	1.6	1.5	(11)bp	(109)bp
PCR (%)	52	57	67	69	73	75	75	7.6bp	824.8bp
Slippage ratio (%)	3.1	2.3	1.5	2.4	1.9	1.6	2.7	112.7bp	126.3bp
Credit Cost on Adv (AnnI)	4.6	3.0	3.1	3.8	2.4	1.7	1.4	(26.3)bp	(166.2)bp

Source: Company, Angel Research

Exhibit 4: BB & Below Book increased

Particular	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	Q1FY20	Q2FY20	Q3FY20
GNPA	43,148	44,489	46,039	54,063	53,465	54,489	51,627	46,328	45,799	45,695	43,454
Outstanding stock of bad loans (% of loans)	28,300	28,300	25,800	13,461	11,898	10,720	3,690	3,299	3,280	3,280	2,087
	6.1%	5.9%	5.1%	2.6%	2.3%	2.0%	0.7%	0.6%	0.6%	0.5%	0.3%
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	3,280	2,087
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	16,074	17,403
	71,448	72,789	71,839	67,524	65,363	82,309	74,129	67,152	64,434	65,049	62,944
Stressed pool to loans (%)	15.4	15.1	14.2	13.2	12.7	15.1	13.1	11.4	10.9	10.6	9.9

Source: Company, Angel Research

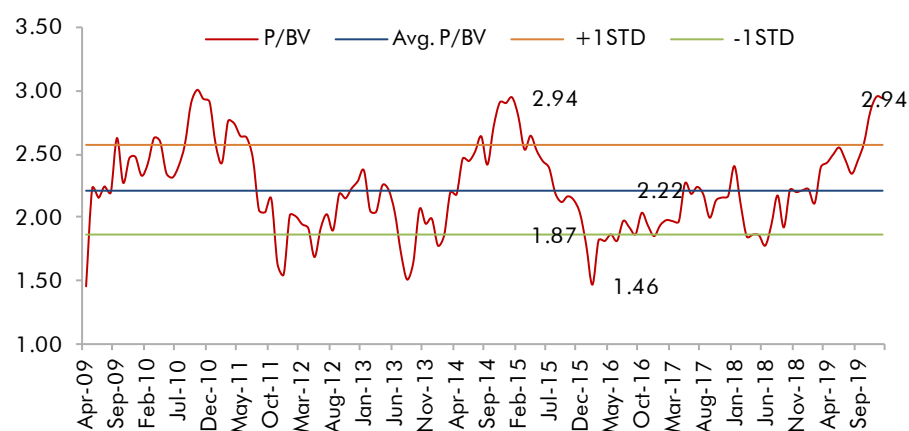
Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 2.1x FY2021E ABV. Key parameter to watch for next few quarter slippages from corporate book and addition to BB& Below book. We recommend a HOLD on the stock with a Target Price of ₹590.

Exhibit 5: SOTP

Particular	% Valuation Methodology		Value/share (₹)	
Value of ICICI standalone	100	2.3x FY21E ABV	440	2,80,233
Subsidiaries				
ICICI Prudential Life	53	On Current M.Cap	61	39,475
General Insurance	56	On Current M.Cap	53	34,099
Mutual fund	51	10% of current AUM	29	18,459
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			38	24,206
Total subsidiaries' value @ 20% discount			145	92,991
Fair value per share				590

Source: Company, Angel Research

Exhibit 6: 1 Year Forward Adj P/B



Source: Company, Angel Research

Income Statement

Y/E March (₹ cr)	FY18	FY19	FY20E	FY21E	FY22E
Net Interest Income	23,025	27,015	32,989	38,556	45,753
- YoY Growth (%)	6	17	22.1	16.9	18.7
Other Income	17,419	14,511	16,278	18,326	21,439
- YoY Growth (%)	(11)	-17	12	13	17
Operating Income	40,444	41,526	49,268	56,882	67,192
- YoY Growth (%)	(2)	3	19	15	18
Operating Expenses	15,704	18,089	21,194	23,568	27,294
- YoY Growth (%)	6	15	17	11	16
Pre - Provision Profit	24,741	23,437	28,074	33,314	39,897
- YoY Growth (%)	(7)	-5	20	19	20
Prov. & Cont.	17,307	19,661	11,003	10,022	10,719
- YoY Growth (%)	14	14	(44)	(9)	7
Profit Before Tax	7,434	3,776	17,070	23,292	29,178
- YoY Growth (%)	(34)	-49	352	36	25
Prov. for Taxation	789	413	7,027	5,823	7,295
- as a % of PBT	11	11	41	25	25
PAT	6,645	3,362	10,043	17,469	21,884
- YoY Growth (%)	(32)	(49.4)	199	74	25

Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20E	FY21E	FY22E
Equity	1,292	1,294	1,298	1,298	1,298
Reserve & Surplus	1,03,868	1,07,074	1,16,371	1,30,346	1,47,852
Net worth	1,05,160	1,08,368	1,17,668	1,31,643	1,49,150
Deposits	5,60,975	6,52,920	7,41,417	8,50,793	9,76,305
- Growth (%)	14	16	14	15	15
Borrowings	1,82,859	1,65,320	1,41,977	1,66,093	1,94,305
Other Liab. & Prov.	30,195	37,851	78,662	1,07,740	1,42,031
Total Liabilities	8,79,189	9,64,459	10,79,724	12,56,269	14,61,791
Cash Balances	33,102	37,858	43,811	50,274	57,691
Bank Balances	51,067	42,438	33,529	38,475	44,151
Investments	2,02,994	2,07,733	2,37,365	2,74,878	3,18,348
Advances	5,12,395	5,86,647	6,61,080	7,73,371	9,04,734
- Growth (%)	10	14	13	17	17
Fixed Assets	7,904	7,931	11,371	13,048	14,973
Other Assets	71,727	81,852	92,568	1,06,224	1,21,894
Total Assets	8,79,189	9,64,459	10,79,724	12,56,269	14,61,791
- Growth (%)	14	10	12	16	16

Key Ratio

Y/E March	FY18	FY19	FY20E	FY21E	FY22E
Profitability ratios (%)					
NIMs	3.1	3.2	3.6	3.6	3.7
Cost to Income Ratio	39	44	43	41	41
RoA	0.8	0.4	1.0	1.5	1.6
RoE	6	3	9	14	16
B/S ratios (%)					
CASA Ratio	52	50	47	49	49
Credit/Deposit Ratio	0.91	0.90	0.89	0.91	0.93
Asset Quality (%)					
Slippages	6.4	2.5	2.0	1.5	1.5
Loan Loss Prov. /Avg. Assets	2.10	2.13	1.08	0.86	0.79
Provision Coverage	48	71	70	70	70
Per Share Data (₹)					
EPS	10	5	16	27	34
ABVPS (70% cover.)	129	153	167	189	216
DPS	2	1	3	5	7
Valuation Ratios					
PER (x)	52	103	34	20	16
P/ABVPS (x)	4.2	3.5	3.2	2.8	2.5
Dividend Yield (%)	0.4	0.2	0.6	1.0	1.3
DuPont Analysis					
NII	2.8	2.9	3.2	3.3	3.4
(-) Prov. Exp.	2.1	2.1	1.1	0.9	0.8
Adj. NII	0.7	0.8	2.2	2.4	2.6
Other Inc.	2.1	1.6	1.6	1.6	1.6
Op. Inc.	2.8	2.4	3.7	4.0	4.2
Opex	1.9	2.0	2.1	2.0	2.0
PBT	0.9	0.4	1.7	2.0	2.1
Taxes	0.1	0.0	0.7	0.5	0.5
RoA	0.8	0.4	1.0	1.5	1.6
Leverage	8.0	8.6	9.0	9.4	9.7
RoE	6.5	3.1	8.9	14.0	15.6

Valuation done on closing price of 27/01/2020

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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Disclosure of Interest Statement	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

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Based on Expected Returns: over 12 months investment period)	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15%)
		Hold (Fresh purchase not recommended)	