

Mixed bag

- Q3FY18 PAT at ₹ 16.5bn down 32% YoY & 20% QoQ. NII mere 6% up YoY. NIMs stood stable YoY; down QoQ to 3.1%.
- Other income stood down 20% YoY & 39% QoQ; on the back of decline in treasury gains and not so encouraging core income; fee income grew mere 6% YoY led by healthy retail fees.
- Provisions grew 32% YoY; while provisions were down QoQ due to base effect as the bank made upfront provision in Q2 for all the 12 IBC exposures, Q3FY18 saw further additional provision of ₹ 36.6bn; another 6 bn to come through in Q4FY18.
- Advances grew 11% YoY backed by strong retail growth of 22% YoY. CASA ratio stood at 50.4% in Q3FY18 vs 49.9% in Q3FY17.
- Asset quality remains almost stable QoQ; GNPA stood at 7.8% in Q3FY18 vs 7.20% in Q3FY17. PCR has improved to 48.3% in Q3FY18 from 45.7% in Q2FY18. Slippages stood down at ₹ 44bn from ₹ 47 bn (Q2FY18), ₹ 36bn of which emerged from corporate side. As at end of Dec'17, gross stress asset ratio stood at 13%.
- ICICI Bank Q3FY18 earnings disappointed with a huge PAT miss with a blow from weak revenue profile (advances return stood flattish; in turn depressing NII) and poor other income show despite stake sale gains proving an operationally weak quarter (PPoP down 8% YoY). Had it not been for tax write-backs, bottom-line would have further decelerated. Moreover, while optically GNPA's have sequentially stood flattish at 7.8%, slippages moderately declined to ₹ 43.8bn in Q3FY18 (in-line) vs ₹46.7bn in Q2FY18, the performance on recoveries (₹ 11 bn -Q3 vs ₹ 10 bn -Q2) and shrinkage in drill down list (₹ 191 bn) do not stand on expected lines. Said that, negligible divergence (compared to peers) that stands already captured into the Q3FY18 NPLs, reduction in volatility in slippages and normalized capital consumption each quarter brings huge respite. Against this backdrop, we reiterate BUY recommendation valuing the core bank at 2.1x P/ABV FY19E arriving at TP of ₹ 425 (subsidiaries valued at ₹ 121 per share). While elevated **provisions and lower other income prompt us to prune down FY18 earnings estimate, FY19-20E stands upbeat. While RoEs continue to remain depressed below 12% (FY20E), we foresee limited upside above our target multiple.**

Q3FY18 Result (₹ Mn)

Particulars	Q3FY18	Q3FY17	Q2FY18	QoQ (%)	YoY (%)
Interest earned	136,654	136,181	135,771	0.7	0.3
Interest expended	79,601	82,548	78,680	1.2	(3.6)
Net interest income	57,053	53,634	57,091	(0.1)	6.4
Other income	31,669	39,383	51,862	(38.9)	(19.6)
Total Net Income	88,721	93,017	108,953	(18.6)	(4.6)
Operating expenses	38,144	37,777	39,088	(2.4)	1.0
Pre-provision profits	50,578	55,239	69,865	(27.6)	(8.4)
Provisions	35,696	27,127	45,029	(20.7)	31.6
Tax expense	(1,621)	3,694	4,254	(138.1)	(143.9)
Reported Net Profit	16,502	24,418	20,582	(19.8)	(32.4)

Advances (₹ mn)	5,053,869	4,574,695	4,827,801	4.7	10.5
CASA (%)	50.4	49.9	49.5	90	50
NIM (%)	3.1	3.1	3.3	(13)	2
Gross NPA (%)	7.8	7.2	7.9	(5)	62

CMP	₹ 352
Target / Upside	₹ 425/21%
BSE Sensex	36,155
NSE Nifty	11,078

Scrip Details

Equity / FV	₹ 12,836mn/₹ 2/-
Market Cap	₹ 2,259bn
	USD 35bn
52-week High/Low	₹ 365/238
Avg. Volume (no)	18,482,676
NSE Symbol	ICICIBANK
Bloomberg Code	ICICIBC IN

Shareholding Pattern Dec'17(%)

Promoters	-
MF/Banks/FIs	31.7
FII's	60.1
Public / Others	8.2

Valuation (x)

	FY18E	FY19E	FY20E
P/E	29.1	22.2	17.9
P/ABV	2.5	2.3	2.2
ROAA	0.9	1.1	1.2
ROAE	7.3	9.7	11.4

Estimates (₹ mn)

	FY17	FY18E	FY20E
NII	235,400	252,136	284,551
PPP	231,144	254,608	246,263
PAT	74,000	101,987	126,344
Adj. BV	143.0	150.9	160.7

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Conference call key takeaways –

- Core operating PAT grew 9.7% YoY at ₹ 49.92bn vs ₹ 45.49bn.
- Overall loan grew by 10.5% YoY driven by growth in retail, SME & high rated corporate portfolio. Domestic loan grew 15.6% YoY. The share of retail portfolio increased to 54.2% with a robust 22.2% YoY growth. 20% growth in retail portfolio is likely going ahead.
- The portfolio of overseas branches declined by 9.1% YoY.
- Total Deposits grew 11.2% YoY, led by 12.4% YoY CASA deposits growth. CASA stood at 50.4% at the end of the quarter.
- Overall margins stood down at 3.14% in Q3FY18 vs 3.27% in Q2FY18. The overseas margins were significantly down due to higher non-accrual of interest income on NPAs
- Slippages improved sequentially in Q3FY18 at ₹ 43.8bn from 70.37bn in Q3FY17 (₹ 46.74bn in Q2FY18). Slippages include 1 account in sugar sector.
- At the end of Q3FY18 bank has outstanding loans of ₹ 100.61bn under IBC and provisions on these outstanding loans stood at 36.4%
- The bank made a significant recoveries and upgrades aggregating to ₹ 11.08bn across several accounts.
- Resolution of accounts in 1st list is expected by Q4FY18 and in 2nd list by Q2FY19.
- There was a sequential increase of 160bps in PCR which stood at 60.9% in Q3FY18.
- 70% of banks business is with existing customer and there is an opportunity to grow.
- No sale to ARC during Q3FY18.
- Capital consumption will be lower going ahead (Growth in RWAs likely to be lower going forward as compared to past few quarters)
- Capital position continues to remain healthy with total Capital Adequacy Ratio (CAR) at 18.10% & Tier I at 15.04%
- During Q3FY18, bank raised ₹ 4.75bn through AT I bonds.
- No divergence reported during Q3FY18.
- During the quarter board approves issue of bonus share of ₹ 2 each in proportion of 1:10

Income Statement (₹ mn)

Particulars	Mar17	Mar18E	Mar19E	Mar20E
Interest income	541,563	547,232	627,265	753,184
Interest expense	(324,190)	(311,832)	(375,130)	(468,633)
Net interest income	217,373	235,400	252,136	284,551
growth (%)	2.4	8.3	7.1	12.9
Non-interest income	195,045	159,589	188,708	218,240
Operating income	412,418	394,989	440,844	502,791
Operating expenses	(147,551)	(163,845)	(186,236)	(256,528)
- Staff expenses	57,337	69,170	91,277	102,567
Pre-provisions profit	264,867	231,144	254,608	246,263
growth (%)	11.0	(12.7)	10.2	(3.3)
Prov. & Contingencies	(152,081)	(139,786)	(118,625)	(68,313)
Pre-tax profit	112,786	91,358	135,983	177,950
Tax (current + deferred)	(14,775)	(17,358)	(33,996)	(51,605)
Net profit	98,011	74,000	101,987	126,344
growth (%)	0.8	(24.5)	37.8	23.9

Balance Sheet (₹ mn)

Particulars	Mar17	Mar18E	Mar19E	Mar20E
Cash and balance with RBI/Banks	757,131	793,621	835,365	556,323
Investments	1,615,065	1,711,090	1,855,149	2,532,760
Advances	4,642,321	5,238,598	6,014,775	7,064,396
Interest earning assets	7,014,517	7,743,308	8,705,289	10,153,479
Fixed assets (Net block)	78,052	90,915	98,924	101,917
Other assets	625,345	739,021	1,109,364	1,341,226
Total assets	7,717,915	8,573,244	9,913,577	11,596,622
Deposits	4,900,391	5,621,126	6,733,173	8,041,884
Other int. bearing liabilities	1,475,562	1,593,606	1,788,113	2,073,081
Total Interest bearing liabilities	6,375,952	7,214,732	8,521,286	10,114,965
Other liabilities and provisions	342,452	333,376	312,322	344,426
Share capital	11,651	12,836	12,836	12,836
Reserves & surplus	987,860	1,012,300	1,067,133	1,124,395
Total equity & liabilities	7,717,915	8,573,244	9,913,577	11,596,622

E – Estimates

Important Ratios

Particulars	Mar17	Mar18E	Mar19E	Mar20E
Valuation ratios				
Adjusted EPS (₹)	16.8	12.1	15.9	19.7
BVPS (₹)	171.6	159.7	168.3	177.2
Adjusted Book NAV/share (₹)	142.7	143.0	150.9	160.7
PER (x)	20.9	29.1	22.2	17.9
Price/Book (x)	2.1	2.2	2.1	2.0
Price/Adjusted book (x)	2.5	2.5	2.3	2.2
Dividend Yield (%)	1.6	2.0	2.3	2.6
Du-Pont ratios				
NII/Avg. Assets (%)	2.9	2.9	2.7	2.6
Non-int. income/Avg Assets (%)	2.6	2.0	2.0	2.0
- Fee income / Avg Assets (%)	1.3	1.3	1.5	1.5
- Trad. gains / Avg Assets (%)	1.2	0.4	0.4	0.3
Cost / Avg Assets (%)	2.0	1.8	2.0	2.4
Non-tax Prov. / Avg Assets (%)	2.0	1.7	1.3	0.6
Tax Prov. / Avg Assets (%)	0.2	0.2	0.4	0.5
ROA (%)	1.3	0.9	1.1	1.2
Leverage (x)	7.9	8.0	8.8	9.7
ROE (%)	10.3	7.3	9.7	11.4
Balance Sheet ratios				
Loan growth (%)	6.7	12.8	14.8	17.5
Deposit growth (%)	16.3	14.7	19.8	19.4
Loans/Deposits (%)	94.7	93.2	89.3	87.8
Investments/Deposits (%)	33.0	30.4	27.6	31.5
CASA ratio (%)	50.4	47.9	47.5	47.2
Profitability ratios				
NIMs (%)	3.3	3.3	3.3	3.3
Interest spread (%)	3.0	2.7	2.7	2.7
Yield on advances (%)	8.9	9.0	8.7	8.5
Cost of deposits (%)	5.4	5.4	5.4	5.3
Efficiency/other P/L ratios				
Non-interest income/Net income (%)	47.3	40.4	40.4	42.8
Trading income/Net income (%)	20.9	9.1	8.7	7.4
Cost/Income (%)	35.8	41.5	42.2	51.0
Asset quality ratios				
Gross NPLs (%)	7.9	8.4	7.9	7.0
Net NPLs (%)	4.9	3.1	2.8	2.3
Net NPLs/Net worth (%)	25.5	15.4	15.2	13.7
Loan provisions/Avg loans (%)	3.4	2.6	2.0	1.0
Provisions cover (%)	53.6	65.0	66.0	69.0
Capitalisation ratios				
Tier I cap.adequacy (%)	14.4	12.3	11.2	10.2
Total cap.adequacy (%)	17.4	15.2	13.8	12.7

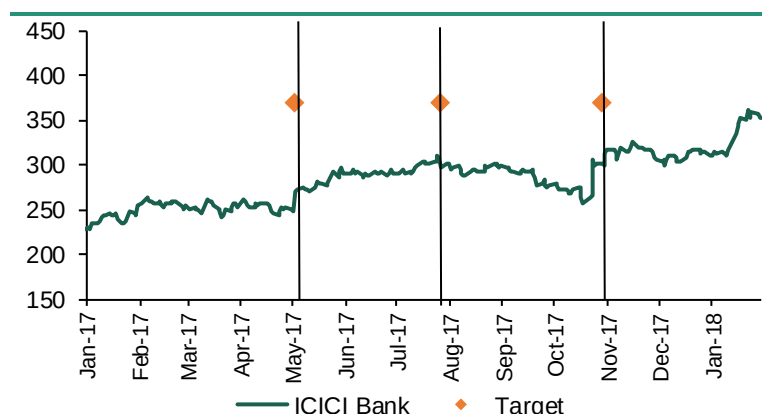
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)*
May-17	Buy	370	297
Jul-17	Buy	370	299
Oct-17	Buy	370	304

* As on Recommended Dated

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