

Summary:

ICICI Bank Partnering a dynamic India.

ICICI BANK LIMITED

Recommendation: Buy

CMP:Rs. 404.90/-TARGET: Rs. 450/-

SENSEX: 39140 NIFTY:11752

KEY STOCK STATISTICS:

Market Capitalization (crs): 260702/-

Book Value: Rs. 166.90/-

Face Value: Rs. 2/-

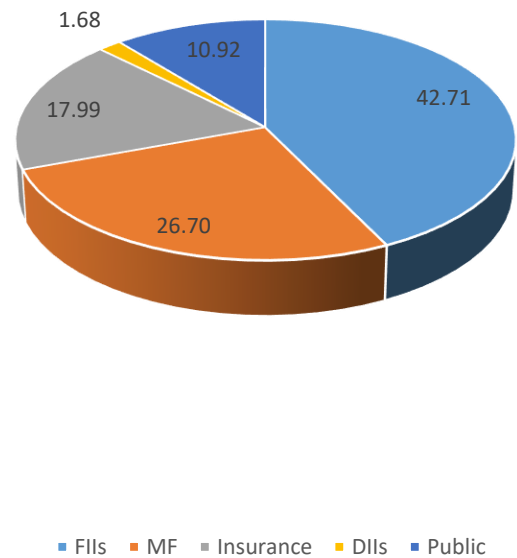
52 week High/Low: 411/256.50

P/E Ratio: 42.63

Industry P/E:38.30

Company Background:

- ✓ ICICI bank has always played a pioneering role in transforming retail banking in the country.
- ✓ The retail franchise is supported by a wide distribution network and strong digital and technological capabilities.
- ✓ The bank's network of 4,867 branches and 14,367 ATMs as at March 31, 2018 is the largest network among private sector banks in India.
- ✓ The bank offers a comprehensive suite of products and services catering to the full spectrum of customer's financial needs- savings and investments, payments and transactions, credit, protection from risks and advisory services.
- ✓ The bank has invested in service automation through Natural language Processing (NLP) and Artificial Intelligence (AI).
- ✓ The bank has partnership with varied web based providers for offering payment services using the UPI platform, which is creating new dimensions in the payment ecosystem.
- ✓ Paytm and ICICI bank partnered to jointly launch Paytm-ICICI bank postpaid offering access to instant credit to customers.

SHAREHOLDING PATTERN

Source: Company, KFO Research

RETURNS (%):

	3 MONTHS	6 MONTHS	12 MONTHS
SENSEX	-2.50	4.55	6.67
ICICI BANK	-10.35	-11.29	15.92

Source: Company, KFO Research

Analyst :

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SEBI NO:: INH000005485

BUSINESS OVERVIEW

- ✓ At ICICI Bank, capability building is about creating a culture that promotes continuous learning, unlearning and relearning and fosters an enabling environment for innovation.
- ✓ With this vision, a new learning and development approach for 'Capability Building' was introduced.
- ✓ It helps to enhance in-house capabilities to build employee skill sets which are aligned to customer needs.
- ✓ It also enables the employees to respond to the changing needs of the customers by constantly up skilling themselves.
- ✓ The bank undertook initiatives to reinforce various aspects of the cultural change represented by DYNAMIC.
- ✓ In line with the concept of DYNAMIC the bank created the ICICI Centre of the New --- ICON.
- ✓ It is a unique space at the corporate office which is positioned as a nucleus of the Bank's DNA.
- ✓ This technology enabled space brings aspects of our DYNAMIC culture such as fostering innovation, collaboration, ideation to the forefront and reinforces a community feeling among employees.
- ✓ This unique space houses a 'state-of-the-art' cafeteria and is also used to test new products and services, conduct meetings, test ideas and have informal gatherings.
- ✓ ICON is also used as a fitness centre. All services at ICON are completely cashless and employees pay using NFC based Tap-n-Pay or QR-based UPI solutions.

NEW PROGRAMME INTRODUCED

- Mortgage Academy : The Mortgage Academy introduced programmes like Mortgage specialist, Mortgage Affinity and Mortgage Expert connect in response to the focus on the mortgage segment. The training initiative help enhance the capability of employees in the mortgage team to offer effective solutions and service experience to customers.
- SMEAG Academy : The SMEAG Academy Selling Skills Programme aims to enhance sales capability of relationships managers and solution managers for SME clients.
- Wealth Academy : A new programme was launched for investment specialists which enables them to appreciate the nuances of equity and debt markets, understand market dynamics and macro and micro economics.
- Internal Control workshop : This was conducted to equip senior officials in business groups and control functions to provide resolutions to internal and external stakeholders.
- Building a Design Thinking culture: The bank conducted workshops on using Design Thinking as a framework for problem solving and providing solutions. Design Thinking is a process for creating problem solving.
- Building a Data smart culture : we are investing in capability building through new training interventions in Data Analytics.

Source : Company, KFO Research.

KEY STRENGTHS

- ✓ Core operating profit grew by 14% year-on-year to Rs. 5667 crore in the quarter ended December 31, 2018.
- ✓ Net interest margin at 3.40% in Q3 -2019.
- ✓ Fee income grew by 16% year-on-year in Q3-2019.
- ✓ Net NPA ratio decreased from 3.65% at September 30,2018 to 2.58% at December 31,2018 the lowest in the last 12 quarters.
- ✓ Domestic loan growth at 14% year-on-year at December 31,2018 driven by retail.
- ✓ Retail loans grew by 22% year-on-year and constituted 59% of the loan portfolio at December.
- ✓ 15% year-on-year growth in current and saving account (CASA) deposits, period end CASA ratio at 49.3% at December 31,2018.
- ✓ 20% year-on-year growth in term deposits at December 31, 2018.
- ✓ Total capital adequacy ratio of 17.15% and Tier-1 capital adequacy ratio of 15.14% on standalone basis at December 31, 2018.

Risk and Concern:

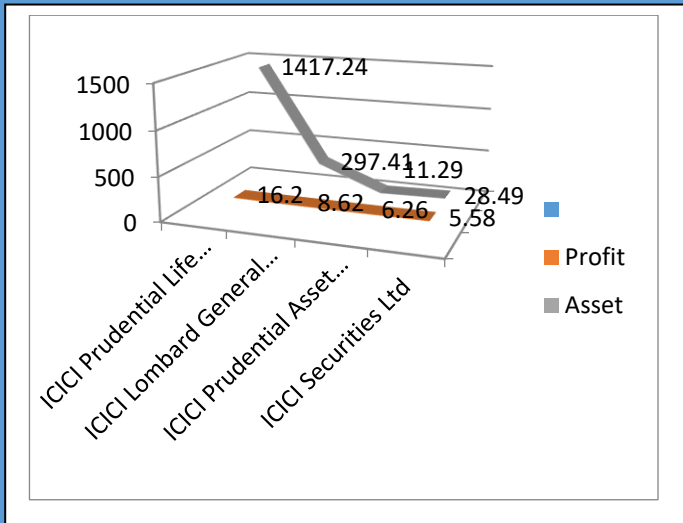
- ✓ Operational risk is the risk of loss resulting from inadequate internal processes, people or systems, or from external events.
- ✓ The cyber security threat landscape for banks and financial institute is constantly evolving.
- ✓ Foreign risk, interest rate risk, and legal risk are other type risk bank has to faced.

VALUATIONS:

- ✓ On the basis of Discount Cash Flow Valuation Method, we are recommending 'Buy' for the stock. Since the stock offers good opportunity, we initiate a '**BUY**' signal on the stock with 12-month price target of **Rs 450/-** share an upside of 15% from current levels.

KEY STRENGTHS

Subsidiaries company's Profit and Assets :



Source: Company, KFO Research

Capital Adequacy Ratio

Particular	Percentage
2014	17.70%
2015	17.00%
2016	16.60%
2017	17.40%
2018	18.40%

Source: Company, KFO Research

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