

Operating performance marred by Credit costs. Maintain Accumulate.

The bank reported a 5% YoY lower profit (missed our estimates), due to higher credit costs of 230 bps (our estimate was 160 bps). This is despite a lower accretion in GNPA (ex of special cases) and improved asset quality by 105 bps to 6.7%. In other parameters, results were strong with NIM expansion, 17% deposits growth, robust domestic and retail advance growth of 17% at 21% YoY respectively. We expect the operating performance to remain strong but marred by credit costs in near term. At 2x P/ABV of the bank (~78% of value), maintain Accumulate.

GNPA Additions low, but provision on debt swap and ageing hurt.

The credit costs were higher at 230 bps partly on account of higher provisions on debt swap arrangement. The accretion to GNPA were 114 bps vs 137 bps QoQ. This includes an addition ₹ 8.5 bn (Renuka Sugar) recognized for technical reasons. The bank is likely to benefit from the systemic improvement in corporate asset quality, but the specific pockets of stress and the ageing provision on legacy book is expected to keep the credit costs elevated in FY20. We have factor higher credit costs (at 140 bps in FY20 vs guidance of ~130 bps). We don't believe the bank is expected to be impacted materially on the retail assets yet. We factor a GNPA improvement by 155bps to ~6% through FY21. A decline in economic growth remains a risk to the asset quality and resolution.

Healthy growth and NIMs; High yield asset to offset higher funding costs.

Domestic advances grew 17% YoY, of which retail advances rose 21%, driven by an exceptionally healthy growth in business banking and unsecured. The NIMs adjusted for one off were higher by >20 bps, as the share of high yielding loans increased. The bank is relatively better placed in deposit mobilization as well. It is one of the bank with a favorable incremental CD ratio. We believe the bank is likely to continue to be better placed in resource mobilization versus its larger retail peers, though the share of expensive retail is expected to increase.

Operating metrics to remain strong; Maintain Accumulate at 2x P/ABV

We expect the bank to register CAGR 17% in advances over FY19-21E and improvement in RoA by 99 bps to 1.4%. We have revised our estimates for FY20 by 3%10%+ for FY20/FY21 to account for lower credit costs (esp. in FY20) and higher NIMs. At 1.9x FY21E P/ABV, maintain Accumulate (75% of value to the bank).

Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Interest earned	172,928	142,644	21.2	162,804	6.2
Interest expended	96,727	82,427	17.3	94,052	2.8
Net interest income	76,201	60,217	26.5	68,753	10.8
Other income	36,210	56,786	(36.2)	38,829	(6.7)
Total Net Income	112,411	117,003	(3.9)	107,581	4.5
Operating expenses	50,077	41,863	19.6	46,117	8.6
Pre-provision profits	62,334	75,140	(17.0)	61,464	1.4
Provisions	54,514	66,258	(17.7)	42,442	28.4
Tax expense	(1,871)	(1,318)	42.0	2,974	(162.9)
Extraordinary gains	0	0		0	
Reported Net Profit	9,691	10,200	(5.0)	16,049	(39.6)
			(bps)		(bps)
Advances	14.5			11.7	283
NIM (%)	3.7	3.2	48	3.1	58
RoA	0.4	0.5	(7)	0.7	(30)
RoE	4.1	3.9	20	6.3	(220)
Gross NPA (%)	6.7	8.8	(214)	7.8	(105)

CMP	₹ 401
Target / Upside	₹ 450 / 12%
BSE Sensex	38,578
NSE Nifty	11,598
Equity / FV	₹ 12,895mn / ₹ 2
Market Cap	₹ 2,587bn
	US\$ 37bn
52-week High/Low	₹ 411/₹ 257
Avg. Volume (no)	15,625,800
NSE Symbol	ICICIBANK
Bloomberg Code	ICICIB IN
Shareholding Pattern Mar'19(%)	
Promoters	0.0
MF/Banks/FIs	44.2
FIIIs	45.3
Public / Others	10.5

Valuation (x)

	FY19E	FY20E	FY21E
P/E	61.5	21.9	13.2
P/ABV	2.0	1.9	1.8
ROAA	0.4	0.9	1.4
ROAE	3.2	8.5	13.2

Estimates (₹ mn)

	FY19E	FY20E	FY21E
NII	270,148	308,982	372,876
PPOP	234,379	271,747	330,093
PAT	33,633	94,504	156,878
Adj BV	154.2	163.7	175.7

Analyst: Hemali Dhame

Tel: +91 22 40969724

E-mail: hemalid@dolatcapital.com

Associate: Pawan Rathore

Tel: +91 22 40969714

E-mail: pawanr@dolatcapital.com

Exhibit 1: Quarterly Data

(₹ Mn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Advances	5,123,953	5,162,887	5,444,866	5,643,080	5,866,470
YoY (%)	10.4	11.3	12.8	11.7	14.5
QoQ (%)	1.4	0.8	5.5	3.6	4.0
Deposits	5,609,752	5,468,784	5,586,689	6,067,547	6,529,197
YoY (%)	14.5	12.5	12.0	17.3	16.4
QoQ (%)	8.4	(2.5)	2.2	8.6	7.6
Advances Mix (%)					
Domestic book	87.4	87.5	87.3	88.1	89.3
Retail	56.6	57.5	57.3	59.0	60.1
SMEAG	5.0	4.6	4.6	4.9	5.2
Corporate	25.9	25.4	25.4	24.1	23.9
Overseas book	12.6	12.5	12.7	11.9	10.7
Deposit Mix (%)					
Current account	36	36	37	35	35
Saving account	16	14	14	15	15
Term deposits	48	49	49	51	50
CASA	52	51	51	49	50
Contribution Margin (%)					
Yield on earning assets	7.7	7.7	7.9	7.5	8.5
Yield on Advances	8.7	8.7	8.8	8.5	9.3
Cost of Funds	4.9	5.0	5.0	4.9	5.2
Costs of deposits	4.8	4.8	4.8	4.7	5.0
NIM	3.2	3.2	3.3	3.1	3.7
Capital Ratio (%)					
GNPA	8.8	8.8	8.5	7.8	6.7
NNPA	4.8	4.2	3.7	2.6	2.1
NNPA as a % of net worth	26.6	23.0	21.0	15.3	12.6
PCR	60.5	66.1	69.4	68.4	80.7
Gross Slippages (₹ mn)	157,370	40,360	31,170	20,910	35,470
Net Slippages (₹ mn)	115,030	20,000	21,110	1,750	20,250
Gross Slippages (%)	7.4	1.9	1.5	0.9	1.5
Net Slippages (%)	5.4	0.9	1.0	0.1	0.9
CAR	18.4	18.4	17.8	17.2	16.9
Tier 1	15.9	15.8	15.4	15.1	15.1
Dupont analysis (as a % of average assets)					
Interest income	6.7	6.8	7.0	7.3	7.4
Interest expenses	3.9	4.0	4.0	4.2	4.1
Net interest income	2.8	2.8	3.0	3.1	3.2
Non-interest Income	2.7	1.8	1.5	1.7	1.5
Total expenses	2.0	1.9	2.0	2.1	2.1
Provisions	3.1	2.8	1.9	1.9	2.3
Tax	(0.1)	(0.0)	0.2	0.1	(0.1)
RoA	0.5	(0.1)	0.4	0.7	0.4
Leverage	8.1	8.2	8.2	8.4	8.7
RoE	3.9	(0.5)	3.5	6.0	3.6

Source: Company, DART

Exhibit 2: Quarterly Subsidiary Performance

(₹ mn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Subsidiaries performance					
ICICI Prudential Life Insurance					
Annualized premium equivalent (APE)	22,130	13,960	19,850	19,620	22,130
Profit after tax	3,410	2,820	3,010	2,970	3,410
Total premium	87,290	55,180	76,820	75,660	87,290
Assets under management	1,395,320	1,426,630	1,461,290	1,499,810	1,395,320
Expense ratio	12.9	17.5	15.1	14.2	12.9
ICICI Lombard General Insurance					
Gross written premium	29,700	38,560	36,370	37,690	29,700
Profit before tax	2,870	4,430	4,490	3,610	2,870
Profit after tax	2,120	2,890	2,930	2,390	2,120
Combined ratio	99.5	98.8	101.1	95.9	99.5
Other subsidiaries					
ICICI Prudential Asset Management	1,670	800	1,960	1,930	1,670
ICICI Securities (Consolidated)	1,590	1,340	1,340	1,010	1,590
ICICI Securities Primary Dealership	240	(360)	(430)	1,230	240
ICICI Home Finance	20.0	140.0	110.0	(30.0)	20.0
ICICI Venture	110.0	30.0	(40.0)	20.0	110.0
ICICI Bank UK (USD mn)					
Net interest income	17.0	16.7	16.7	17.2	17.0
Profit/(loss) after tax	(31.7)	1.8	(14.7)	(14.6)	(31.7)
Loans and advances	2,374	2,349	2,359	2,390	2,374
Deposits	1,749	1,769	1,916	1,894	1,749
Retail term deposits	298	281	514	609	298
Capital adequacy ratio	16.5	16.4	17.6	17.1	16.5
ICICI Bank Canada (CAD mn)					
Net interest income	21.8	21.4	23.1	24.0	21.8
Profit/(loss) after tax	11.2	14.0	12.4	13.4	11.2
Loans and advances	5,733	5,727	5,814	6,016	5,733
Residential mortgages	3,387	3,409	3,418	3,487	3,387
Deposits	2,818	3,092	3,185	3,191	2,818
Capital adequacy ratio	17.3	17.6	17.3	16.6	17.3

Source: Company, DART

Profit and Loss Account (₹ Mn)

Particulars	FY18A	FY19P	FY20E	FY21E
Interest Income	549,659	634,012	728,946	850,318
Interest expenses	319,400	363,864	419,964	477,442
Net interest income	230,258	270,148	308,982	372,876
Other incomes	174,196	145,122	156,990	179,919
Total expenses	157,039	180,891	194,225	222,702
- Employee cost	59,140	68,885	76,662	79,077
- Other	97,900	112,005	117,563	143,626
Pre provisioning profit	247,415	234,379	271,747	330,093
Provisions	173,070	196,611	145,741	105,982
Profit before taxes	74,346	37,768	126,006	224,111
Tax provision	6,571	4,135	31,501	67,233
Profit after tax	67,774	33,633	94,504	156,878
Adjusted profit	67,774	33,633	94,504	156,878

Balance Sheet (₹ Mn)

Particulars	FY18A	FY19P	FY20E	FY21E
Sources of Funds				
Equity Capital	12,858	12,895	12,895	12,895
Reserves & Surplus	1,038,731	1,070,739	1,133,313	1,219,074
Minority Interest	0	0	0	0
Net worth	1,051,589	1,083,634	1,146,208	1,231,969
Borrowings	1,828,586	1,653,200	1,673,938	1,850,128
- Deposits	5,609,752	6,572,723	7,431,990	8,593,535
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	301,964	378,515	489,983	604,380
Total Liabilities	8,791,892	9,688,071	10,742,118	12,280,012
Application of Funds				
Cash and balances with RBI	841,694	802,963	664,733	731,056
Investments	2,029,942	2,077,327	2,247,775	2,724,884
Advances	5,123,953	5,866,466	6,874,946	8,106,003
Fixed assets	79,035	79,314	87,186	92,914
Other current assets, loans and advances	717,268	818,522	867,478	625,154
Total Assets	8,791,892	9,644,592	10,742,118	12,280,012

E – Estimates

Important Ratios

Particulars	FY18A	FY19P	FY20E	FY21E
(A) Margins (%)				
Yield on advances	8.8	9.1	9.2	9.3
Yields on interest earning assets	7.6	7.8	8.0	8.1
Yield on investments	6.3	6.2	6.2	6.1
Costs of funds	4.6	4.6	4.8	4.9
Cost of deposits	4.5	4.7	4.8	4.8
NIMs	3.2	3.3	3.4	3.5
(B) Asset quality and capital ratios (%)				
GNPA	9.9	7.5	6.4	5.9
NNPA	5.4	2.3	2.0	1.9
PCR	47.7	70.7	70.0	70.0
Slippages	2.2	0.4	0.0	0.5
NNPA to NW	27.1	12.7	12.4	12.6
CASA	51.7	51.3	51.8	52.1
CAR	18.4	16.7	16.2	15.5
Tier 1	15.9	14.4	13.7	12.9
Credit - Deposit	91.3	89.3	92.5	94.3
(C) Dupont as a percentage of average assets				
Interest income	6.7	6.9	7.2	7.4
Interest expenses	3.9	3.9	4.1	4.1
Net interest income	2.8	2.9	3.0	3.2
Non interest Income	2.1	1.6	1.5	1.6
Total expenses	1.9	2.0	1.9	1.9
- cost to income	38.8	43.6	41.7	40.3
Provisions	2.1	2.1	1.4	0.9
Tax	0.1	0.0	0.3	0.6
RoA	0.8	0.4	0.9	1.4
Leverage	7.3	7.7	8.2	8.8
RoE	6.6	3.2	8.5	13.2
RoRwa	1.1	0.5	1.2	1.7
(D) Measures of Investments				
EPS - adjusted	10.5	5.2	14.7	24.3
BV	163.6	168.1	177.8	191.1
ABV	135.0	154.2	163.7	175.7
DPS	2.3	1.0	2.9	4.4
Dividend payout ratio	20.7	19.3	20.0	18.2
(E) Growth Ratios (%)				
Net interest income	5.9	17.3	14.4	20.7
PPoP	(6.6)	(5.3)	15.9	21.5
Adj PAT	(30.9)	(50.4)	181.0	66.0
Advances	10.4	14.5	17.2	17.9
Total borrowings	23.9	(9.6)	1.3	10.5
Total assets	13.9	9.7	11.4	14.3
(F) Valuation Ratios				
Market Cap (₹ mn)	2,587,301	2,587,301	2,587,301	2,587,301
CMP (₹)	401	401	401	401
P/E (x)	30.4	61.5	21.9	13.2
P/BV (x)	1.9	1.9	1.8	1.7
P/ABV (x)	2.3	2.0	1.9	1.8
Div Yield (%)	0.6	0.2	0.7	1.1

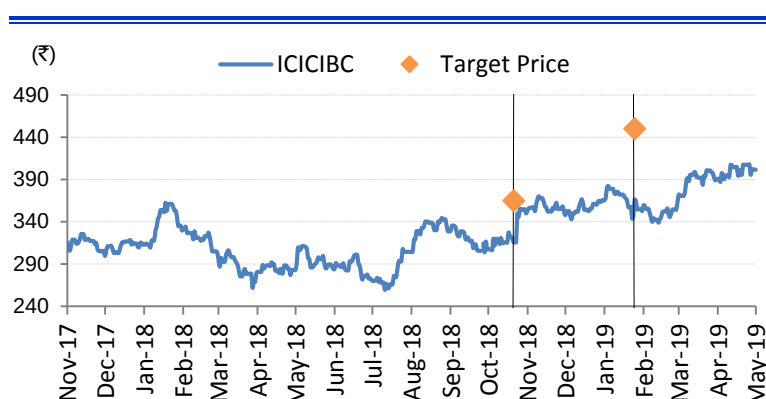
E – Estimates

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 (₹)
Oct-18	Accumulate	365	316
Jan-19	Accumulate	450	366

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kartik Sadagopan	VP - Equity Sales	kartiks@dolatcapital.com	+9122 4096 9762
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	Manager – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Our Research reports are also available on Reuters, Thomson Publishers, DowJones and Bloomberg ([DCML <GO>](#))

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
