

BSE SENSEX

37,883

S&P CNX

11,284

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Bloomberg	ICICIB IN
Equity Shares (m)	6,447
M.Cap.(INRb)/(USD\$b)	2681.2 / 38.9
52-Week Range (INR)	444 / 273
1, 6, 12 Rel. Per (%)	-1/11/43
12M Avg Val (INR M)	7313
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	FY19	FY20E	FY21E
NII	270.1	326.8	387.2
OP	234.4	269.8	324.4
NP	33.6	132.3	174.7
NIM (%)	3.4	3.6	3.7
EPS (INR)	5.2	20.5	27.1
EPS Gr (%)	-52.8	292.8	32.0
BV/Sh (INR)	165.5	180.5	201.0
ABV/Sh (INR)	135.5	153.8	174.9
Cons. BV/Sh (INR)	177.2	186.0	198.4
Cons. ABV/Sh (INR)	147.3	159.3	172.3
RoE (%)	3.2	12.0	14.4
RoA (%)	0.4	1.3	1.5

Valuations

P/BV (x) (Cons)	2.3	2.2	2.1
P/ABV (x) (Cons)	2.8	2.6	2.4
P/ABV (x)	2.1	1.8	1.6
P/E (x)	54.4	13.9	10.5
Div. Yield (%)	0.4	1.3	1.6

*Adjusted for investment in subsidiaries

Quarterly performance

	FY19				FY20E				FY19	FY20E	FY20	v/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est.
Net Interest Income	61,019	64,176	68,753	76,201	77,374	78,439	83,996	87,022	270,148	326,831	71,987	7%
Other Income	38,518	31,565	38,829	36,210	34,254	36,118	37,746	39,906	145,122	148,024	38,537	-11%
Total Income	99,537	95,741	107,581	112,411	111,629	114,557	121,742	126,927	415,270	474,855	110,524	1%
Operating Expenses	41,453	43,244	46,117	50,077	48,744	51,004	51,655	53,692	180,891	205,095	49,536	-2%
Operating Profit	58,084	52,497	61,464	62,334	62,885	63,554	70,087	73,236	234,379	269,760	60,988	3%
Provisions	59,713	39,943	42,442	54,514	34,957	20,671	13,260	9,114	196,611	78,003	31,900	10%
Profit before Tax	-1,629	12,554	19,023	7,820	27,927	42,883	56,826	64,121	37,768	191,758	29,089	-4%
Tax	-434	3,465	2,974	-1,871	8,847	13,294	17,616	19,688	4,135	59,445	7,854	13%
Net Profit	-1,196	9,089	16,049	9,691	19,080	29,589	39,210	44,433	33,633	132,313	21,235	-10%
% Change (YoY)	-105.8	-55.8	-2.7	-5.0	-1,696.0	225.6	144.3	358.5	-50.4	293.4	-1,876.2	NM
Operating Parameters												
Deposit (INR b)	5,469	5,587	6,068	6,529	6,607	6,738	7,260	7,574	6,529	7,574	6,477	2%
Loan (INR b)	5,163	5,445	5,643	5,866	5,924	6,054	6,524	6,805	5,866	6,805	5,820	2%
Asset Quality												
Gross NPA (%)	8.8	8.5	7.8	6.7	6.5	7.0	6.4	6.0	7.5	6.0	7.4	(94)
Net NPA (%)	4.2	3.7	2.6	2.1	1.8	2.1	1.9	1.7	2.3	1.7	2.3	(50)
PCR (%)	54.8	59.5	68.5	70.7	74.1	71.4	71.5	73.8	70.7	73.8	71.0	309

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com); +91 22 6129 1542 | Parth Gutka (Parth.Gutka@motilaloswal.com)

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); Himanshu Taluja (Himanshu.Taluja@motilaloswal.com); Yash Agarwal (Yash.Agarwal@motilaloswal.com)

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CMP: INR416 TP: INR520 (+25%)
Buy

Operating performance strong; Provision coverage improves further

- ICICIB's 1QFY20 PAT of INR19.1b (est. of INR21.2b), was led by strong NII and controlled opex. Core PPOP grew a healthy 21% YoY (in-line).
- NII grew 27% YoY to INR77.3b, led by healthy loan growth with additional boost from interest on IT refunds. NIMs stood at 3.62% v/s 3.72% in 4QFY19 including 9bp impact on IT refund (INR1.8b) and 8bp impact due to interest collection from NPLs. On a like-to-like basis, margins moderated marginally by 3bp QoQ.
- Other income declined 11% YoY as 1QFY19 had stake sale gain from IPRU while core fee income grew ~10% YoY (retail forms 72% of total fees). Total income, thus, was up 12% YoY to INR111.6b (in-line). Opex grew 18% YoY due to higher employee expense growth of 29% YoY (due to higher retirement led provisions).
- Advances grew 15% YoY with domestic book growing 18% YoY (~22% YoY growth in retail), while overseas loan mix declined further to 10.1%. Deposit growth stood healthy at 20.8% YoY. Term deposits grew 34% YoY, resulting in moderation in average CASA mix to 43.4% v/s 44.6% in 4QFY19.
- Fresh slippages stood at INR27.8b even as retail slippages increased to INR15.1b (including INR4.5b agri slippages from Kisan Credit portfolio). GNPL/NNPL ratios improved 20bp/30bp QoQ to 6.5%/1.8%. PCR improved 340bp QoQ to 74.1% (83.4% including TWO).
- Other highlights:** (a) Retail loan mix increased 120bp QoQ to 61.4%, (b) Quantum of BB and below assets declined to INR153.6b (-12% QoQ), (c) **Cons. performance:** ICICIB reported PAT of INR25.1b v/s INR50m in 1QFY19.
- Valuation and view:** ICICIB has delivered steady operating performance and is set to see earnings normalization. With asset quality stabilizing, credit cost will moderate meaningfully in FY20E/21E, thus, boosting return ratios. For FY20/FY21, we have fine-tuned our estimates slightly and changed our tax assumption, thus, lowering PAT estimate by ~3%/4%. We expect the bank to deliver loan CAGR of 17% over FY19-21E, and estimate core RoA/RoE to improve to 1.5%/15.5%. Maintain **Buy** with a revised SOTP-based TP of INR520 (2.2x FY21E ABV for the bank). ICICI remains our top pick in the sector.

Exhibit 1: Quarterly Snapshot

INR m	FY18				FY19				FY20	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Profit and Loss											
Net Interest Income	55,898	57,091	57,053	60,217	61,019	64,176	68,753	76,201	77,374	27	2
Other Income	33,879	51,862	31,669	56,786	38,518	31,565	38,829	36,210	34,254	-11	-5
Trading profits	8,580	21,930	660	26,850	7,660	-350	4,790	1,560	1,790	-77	15
Fee Income	23,770	25,700	26,390	27,550	27,540	29,950	30,620	31,780	30,390	10	-4
Miscellaneous Income	1,529	4,232	4,619	2,386	3,318	1,965	3,419	2,870	2,074	-37	-28
Total Income	89,778	108,953	88,721	117,003	99,537	95,741	107,581	112,411	111,629	12	-1
Operating Expenses	37,944	39,088	38,144	41,863	41,453	43,244	46,117	50,077	48,744	18	-3
Employee	15,112	15,141	13,626	15,262	15,139	16,614	17,340	18,990	19,533	29	3
Others	22,833	23,948	24,518	26,601	26,315	26,630	28,777	31,087	29,211	11	-6
Operating Profits	51,833	69,865	50,578	75,140	58,084	52,497	61,464	62,334	62,885	8	1
Core Operating Profits	43,253	47,935	49,918	48,290	50,424	52,847	56,674	60,774	61,095	21	1
Provisions	26,087	45,029	35,696	66,258	59,713	39,943	42,442	54,514	34,957	-41	-36
PBT	25,746	24,836	14,882	8,882	-1,629	12,554	19,023	7,820	27,927	NM	257
Taxes	5,256	4,254	-1,621	-1,318	-434	3,465	2,974	-1,871	8,847	NM	-573
PAT	20,490	20,582	16,502	10,200	-1,196	9,089	16,049	9,691	19,080	NM	97
Asset Quality (INR b)											
GNPA	431	445	460	541	535	545	516	463	458	-14	-1
NNPA	253	241	238	279	242	221	163	136	119	-51	-13
Ratios											
Asset Quality Ratios (%)											
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
GNPA	8.0	7.9	7.8	8.8	8.8	8.5	7.8	6.7	6.5	-232	-21
NNPA	5.5	4.4	4.2	4.8	4.2	3.7	2.6	2.1	1.8	-242	-29
PCR (Calculated)	41.4	45.8	48.3	48.4	54.8	59.5	68.5	70.7	74.1	1,930	342
Credit Cost	2.2	3.8	2.9	5.2	4.6	3.0	3.1	3.8	2.4	-227	-142
Business Ratios (%)											
Fees to Total Income	26.5	23.6	29.7	23.5	27.7	31.3	28.5	28.3	27.2	-44	-105
Cost to Core Income	46.7	44.9	43.3	46.4	45.1	45.0	44.9	45.2	44.4	-74	-80
Tax Rate	20.4	17.1	-10.9	-14.8	26.6	27.6	15.6	-23.9	31.7	506	5,560
CASA	49.0	49.5	50.4	51.7	50.5	50.8	49.3	49.6	45.2	-530	-440
Dom. Loan/Deposit (Rep)	81.8	82.4	84.0	79.8	82.6	85.1	81.9	80.2	80.6	-200	37
Loan / Deposit	95.4	96.8	97.7	91.3	94.4	97.5	93.0	89.8	89.7	-475	-19
Profitability Ratios (%)											
Yield on loans	8.7	8.7	8.5	8.7	8.7	8.8	9.0	9.3	9.4	65	7
Yield On Investments	6.5	6.7	6.4	6.3	6.4	6.6	6.7	6.6	6.8	38	23
Yield on Funds	7.9	7.8	7.5	7.7	7.7	7.9	8.1	8.5	8.4	71	-5
Cost of funds	5.2	5.0	4.9	4.9	5.0	5.0	5.1	5.2	5.2	24	3
Margins	3.3	3.3	3.1	3.2	3.2	3.3	3.4	3.7	3.6	42	-11
RoA (cal)	1.1	1.1	0.8	0.5	-0.1	0.4	0.7	0.4	0.8	87	38
RoE (Cal)	8.2	8.0	6.3	3.9	0.0	3.4	6.0	3.6	7.0	700	340
Other Details											
Branches	4,852	4,856	4,860	4,867	4,867	4,867	4,867	4,874	4,882	15	8
ATM	13,780	13,792	14,262	14,367	14,394	14,417	14,944	14,987	15,101	707	114

Source: MOFSL, Company

Exhibit 2: Quarterly snapshot continued

INR b	FY18				FY19				FY20	Change (%) / Bp	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Balance Sheet											
Loans	4,641	4,828	5,054	5,124	5,163	5,445	5,643	5,866	5,924	15	1
Investments	1,992	1,799	1,798	2,030	1,864	1,875	1,977	2,077	2,200	18	6
Deposits	4,863	4,986	5,174	5,610	5,469	5,587	6,068	6,529	6,607	21	1
Borrowings	1,411	1,507	1,582	1,829	1,620	1,747	1,643	1,653	1,567	-3	-5
Total Assets	7,609	7,878	8,135	8,792	8,451	8,743	9,124	9,645	9,638	14	0
Deposits Break Up											
CASA Deposits	2,380	2,469	2,606	2,899	2,763	2,835	2,994	3,239	2,989	8	-8
% of total Deposits	49	50	50	52	51	51	49	50	45		
Savings	1,700	1,785	1,859	2,010	1,996	2,075	2,108	2,277	2,185	9	-4
% of total Deposits	35	36	36	36	36	37	35	35	33		
Current	681	684	748	890	767	761	886	963	804	5	-16
% of total Deposits	14	14	14	16	14	14	15	15	12		
Term Deposits	2,482	2,518	2,568	2,711	2,706	2,751	3,074	3,290	3,619	34	10
% of total Deposits	51	50	50	48	49	49	51	50	55		
Loan Break Up											
Agriculture											
SME Loans	209	208	248	256	237	250	277	305	290	22	-5
Corporate Loans	1,242	1,313	1,359	1,322	1,311	1,383	1,360	1,402	1,398	7	0
Retail Loans	2,475	2,588	2,739	2,900	2,969	3,120	3,329	3,532	3,637	23	3
of which											
-Housing	1,327	1,384	1,449	1,499	1,544	1,610	1,711	1,783	1,841	19	3
-Personal Loans	151	166	186	209	223	250	276	311	346	55	11
-Credit Cards	82	83	90	93	104	106	113	124	138	33	12
-Others	916	955	1,014	1,099	1,098	1,154	1,229	1,314	1,313	20	0
International Loans	715	719	708	646	645	691	672	628	598	-7	-5
Loan Mix (%)											
Agriculture											
SME Loans	4.5	4.3	4.9	5.0	4.6	4.6	4.9	5.2	4.9	30	-30
Corporate Loans	26.8	27.2	26.9	25.8	25.4	25.4	24.1	23.9	23.6	-180	-30
Retails	53.3	53.6	54.2	56.6	57.5	57.3	59.0	60.2	61.4	390	120
International Loans	15.4	14.9	14.0	12.6	12.5	12.7	11.9	10.7	10.1	-240	-60
Subsidiaries PAT (INR m)											
I Sec	1,150	1,310	1,530	1,590	1,340	1,340	1,010	1,220	1,140	-15	-7
I Sec PD	660	520	-310	240	-330	-430	1,230	240	690	NM	188
I Venture	0	0	20	110	30	-40	-20	690	220	633	-68
Pru AMC	1,410	1,560	1,610	1,670	760	1,960	1,930	2,170	2,190	188	1
ICICI Home Finance	190	140	300	20	230	110	-30	-30	-60	NM	NM
ICIC Life Insurance	4,060	4,210	4,520	3,410	2,820	3,010	2,970	2,610	2,850	1	9
ICICI General Insurance	2,150	2,040	2,320	2,120	2,890	2,930	2,390	2,280	3,100	7	36
Consolidation adjustment	-4,060	-9,652	-7,552	-7,940	-6,495	-5,919	-6,789	-7,171	-4,070	NM	NM
Subsidiaries PAT	5,560	128	2,438	1,220	1,246	2,961	2,691	2,009	6,060	387	202
ICICI Bank	20,490	20,582	16,502	10,200	-1,196	9,089	16,049	9,691	19,080	NM	97
Consol Profit	26,050	20,710	18,940	11,420	50	12,050	18,740	11,700	25,140	50,180	115

Source: Company, MOFSL

Exhibit 3: Quarterly performance v/s our estimates — Higher provisions affect earnings

Y/E March (INRm)	1QFY20A	1QFY20E	Var. (%)	Comments
Net Interest Income	77,374	71,987	7	Beat in NII further boosted by interest on IT refunds and interest collections from NPL
% Change (YoY)	27	18		
Other Income	34,254	38,537	-11	Lower treasury gains than expected
Total Income	111,629	110,524	1	
Operating Expenses	48,744	49,536	-2	
Operating Profit	62,885	60,988	3	Beat in PPOP largely due to beat in NII
% Change (YoY)	8	5		
Provisions	34,957	31,900	10	Provisions were higher as bank continued to increase coverage
Profit before Tax	27,927	29,089	-4	
Tax	8,847	7,854	13	
Net Profit	19,080	21,235	-10	Higher than expected provisions affect earnings
% Change (YoY)	NM	NM		

Source: MOFSL, Company

Deposits growth led by term deposits; Margins excluding one-offs largely stable

Deposits growth led by ~34%/10% YoY/QoQ growth in term deposits.

- Deposits grew at 21%/1% YoY/QoQ to INR6.6t led by healthy growth in term deposits which grew at 34%/10% YoY/QoQ while CASA deposits growth moderated at 8% YoY (~7.7%QoQ decline) led by ~16% QoQ decline in CA deposits and 4% QoQ decline in SA deposits. Thus, CASA ratio declined by 440bp QoQ to 45.2% however average CASA mix declined by 120bp QoQ to 43.4% vs 44.6% in FY19.
- NIMs stood at 3.62% vs 3.72% in 4QFY19 including 9bps impact on account of income tax refund (INR1.8b) and 8bps impact due to interest collection from NPLs compared to total 25bp one-off impact in the last quarter. On a like-to-like basis the margins moderated marginally by 3bp QoQ.
- Domestic margins including one-off impact (17bp) stood at 3.93% (vs 4.12% in 4QFY19) while excluding the one-offs stood at 3.76% (vs 3.87% in 4QFY19) while Overseas NIMs improved significantly by 30bp QoQ to 0.33%.

Domestic loan growth came in at ~18% YoY led by ~22% growth in retail book, which now forms 61.4% of total loans.

Loan growth remains strong; driven by strong retail performance

- Overall loan growth stood strong at ~15%/1.0% YoY/QoQ to INR5.9t led by continued traction in retail loans. Domestic loans grew ~18% YoY, while international loans were down 7.5% YoY. Proportion of international loan in overall loans stood at 10.1% (vs 10.7% as on FY19).
- Retail loans grew by ~22% YoY primarily led by 19% YoY growth in home loans, 54% YoY in personal loans and 46% YoY in business banking. Credit cards book also grew healthy at ~33% YoY. Also, retail loans include buyouts of INR84.3b during the quarter.
- Domestic corporate loans grew ~7% YoY while excluding NPLs and restructured book, loans grew 13% YoY.

BB & Below pool (incl. non-fund based) declines to 2.6% of total loans; PCR improves to 74.1%

Quantum of BB and below exposure declined to INR153.5b.

- Total slippages stood at INR27.8bn of which retail slippages came in at INR15.1b while corporate and SME slippages came only at 12.68b primarily came from BB & below pool.
- Absolute GNPA declined 1% QoQ to INR457.6b at 6.49% (21bp QoQ decline) of customer assets while NNPA declined 13% QoQ to INR118.6b at 1.77% (-29bp QoQ) of customer assets. Calculated PCR improved 342bp QoQ to 74.1% while PCR (incl TWO) improved 270bp to 83.4%.
- BB & below book declined 12% QoQ to INR154b (2.6% of the loans) vs INR246b (4.8% of the loans) in 1QFY19. SR portfolio stands at INR32.80b.

Exhibit 4: ICICIBC total exposure – BB and below also trending down

INR b	2QFY19	3QFY19	4QFY19	1QFY20
Gross restructured loans	14.4	3.9	3.5	1.5
Non-fund o/s to restructured loans	1.3	1.8	2.2	0.9
Non-fund o/s to non-performing loans	30.5	34.1	42.2	36.3
Borrowers with o/s greater than INR1b	107.5	97.4	78.0	71.9
Borrowers with o/s less than INR1b	64.3	51.0	49.4	43.0
BB and below outstanding	217.9	188.1	175.3	153.6

Of the other borrowers, ~80% was rated A- and above (excluding exposure to State Electricity Boards).

Exhibit 5: Power sector exposure

INRb	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	%
Gross restructured loans	140	144	149	114	112	29%
Other borrowers*	326	338	313	260	279	71%
Total Power sector exposure	466	481	461	374	391	100%

1QFY20 Conference call highlights

Balance sheet and P&L related

- Focusing on the SME portfolio both from the asset and liability perspective.
- Business banking consists of small ticket sized secured portfolio.
- Gold loans/KCC forms ~2%/~3% of the total rural portfolio.
- Interest on the income tax refund on NIM was 9bp v/s 20bp last quarter.
- Bank has reduced its MCLR by 10bp recently.
- Lower fees from third party distribution led to lower fee income. Excluding mutual fund distribution fee, core fee income grew 14% YoY.
- ~94,057 employees as of 1QFY20.
- Peak interest rates on TD were reduced by 20bp to 7.3%.
- Kisan Credit Card (KCC) loans are priced adequately to take care of the credit losses.
- Banks would prefer doing NBFC/HFC portfolio very selectively.
- Tax rate in the previous years was lower due to subsidiary stake sale (which attracts lower tax rate).
- 40% of the SA deposits are from semi urban/rural areas.
- Within the international book, management is focused more on cash management and remittance business rather than term loans.

Asset Quality related

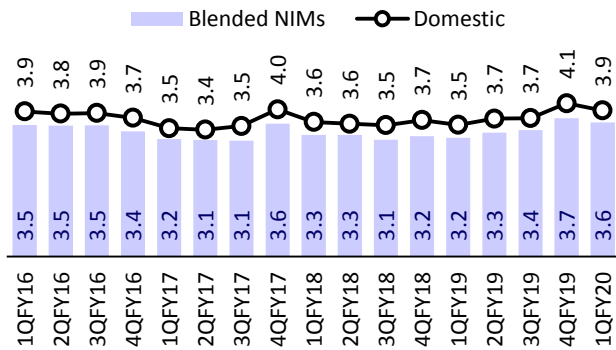
- Recoveries were lower due to delayed resolution of a steel account.
- Upgrade in the BB and below pool is from the iron and steel sector.
- Bank is expecting slippages from the KCC portfolio in 3QFY20 to be higher than 1QFY20.
- Coverage has increased this quarter as some of the NPAs moved to D3 bucket, which requires higher provisions.
- **Unsecured portfolio:** (a) Penetration within internal customers is at low level, and (b) according to the Credit Bureau, bank's portfolio doesn't look concerning.
- KCC slippages in 1QFY19: INR3.3b.
- **Builder Finance portfolio:** (a) Bank has been cautious on the portfolio since last couple of years, and (b) exposure has been spread across top rated borrowers.

Guidance

- Expect credit cost for FY20E to be in the range of 1.2-1.3% (~ 20% of the core operating profit).
- Not targeting any loan growth; focusing on core operating profit.
- Management is planning to add ~400-500 branches over the next one year.

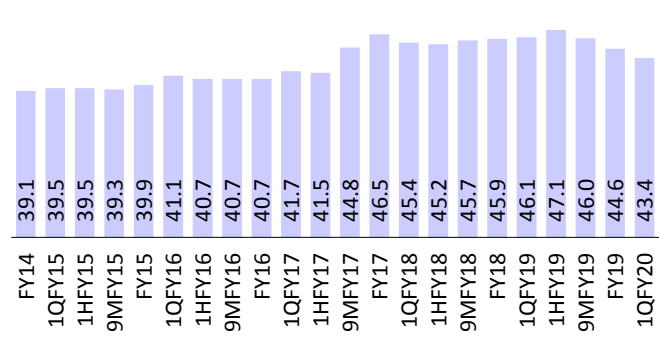
Story in charts

Exhibit 6: Domestic NIM declined 19bp QoQ to 3.93%



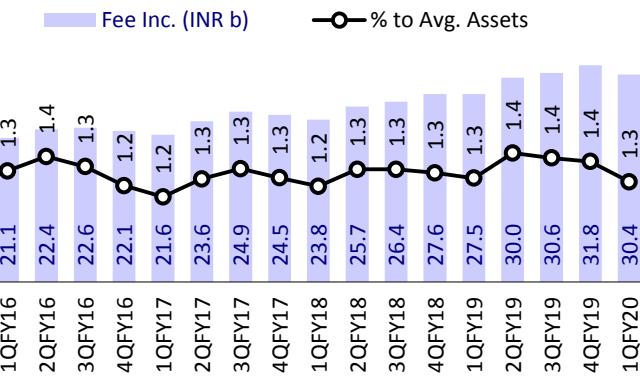
Source: MOFSL, Company

Exhibit 7: Average daily CASA ratio declined 120bp QoQ



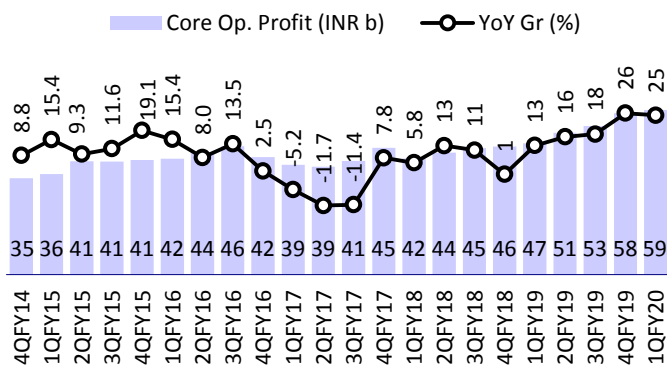
Source: MOFSL, Company

Exhibit 8: Fee income grew at 10% YoY



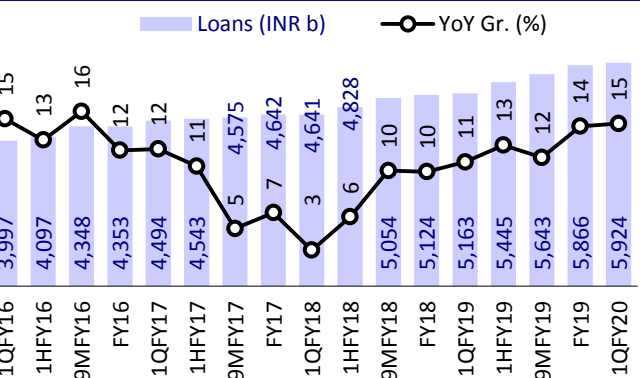
Source: MOFSL, Company

Exhibit 9: Core operating performance showed healthy growth



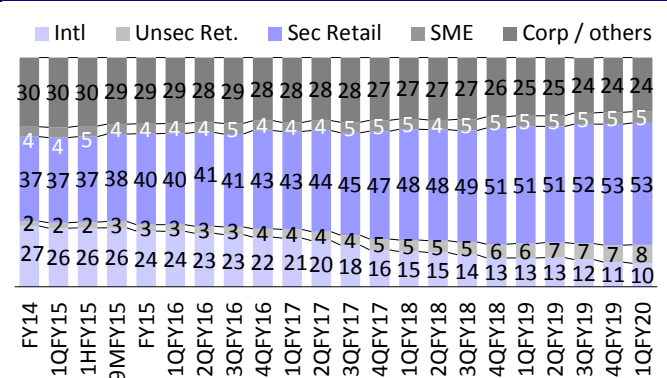
Source: MOFSL, Company

Exhibit 10: Overall loan growth stood at 14.7% YoY

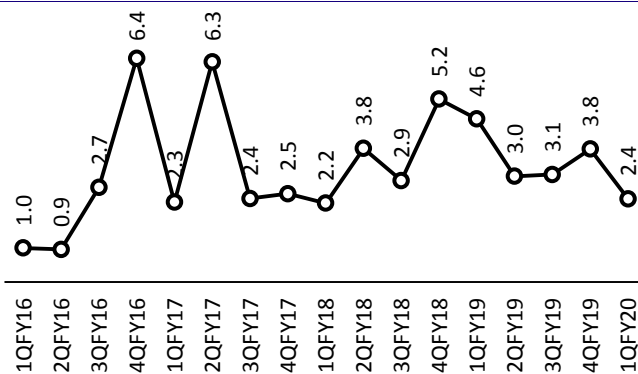


Source: MOFSL, Company

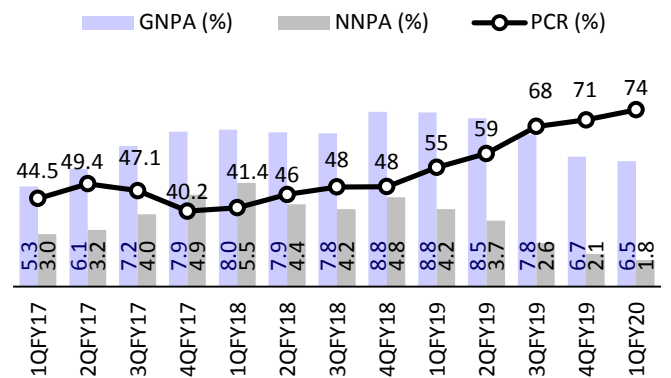
Exhibit 11: Retail loans continue to drive loan growth



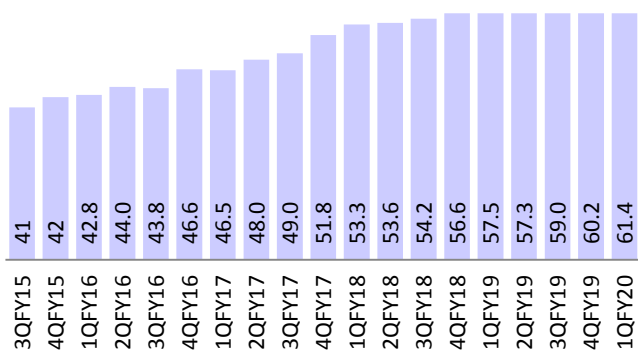
Source: MOFSL, Company

Exhibit 12: Credit cost came in at 2.4%

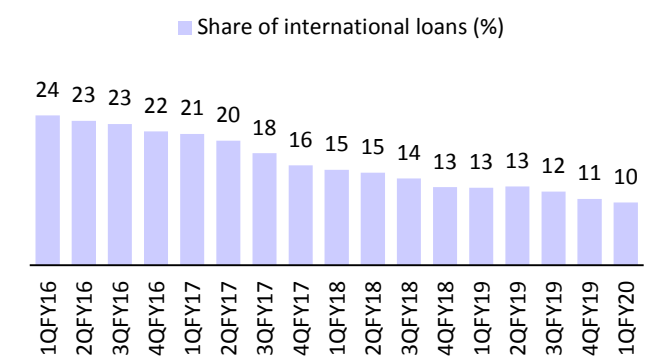
Source: MOFSL, Company

Exhibit 13: GNPA/NNPA ratio declined 21bp/29bp QoQ, calculated PCR increased to 74.1% (+342bp QoQ)

Source: MOFSL, Company

Exhibit 14: Share of retail loans in overall loans increased to ~61% of overall loans

Source: MOFSL, Company

Exhibit 15: Share of international loans in overall loans stood at 10.1% of overall loans

Source: MOFSL, Company

Exhibit 16: For FY20/FY21, we slightly fine-tune earnings and change tax assumption, thus, revising PAT estimates by ~3%/4%

INR b	Old Est.		Revised Est.		Chg (%) /bps	
	FY20	FY21	FY20	FY21	FY20	FY21
Net Interest Income	313.0	369.7	326.8	387.2	4.4	4.7
Other Income	164.0	188.6	148.0	168.7	-9.7	-10.5
Total Income	477.0	558.3	474.9	556.0	-0.4	-0.4
Operating Expenses	204.4	232.9	205.1	231.6	0.4	-0.6
Operating Profits	272.6	325.4	269.8	324.4	-1.0	-0.3
Provisions	86.2	75.4	78.0	71.2	-9.5	-5.5
PBT	186.4	250.0	191.8	253.2	2.9	1.3
Tax	50.3	67.5	59.4	78.5	18.1	16.3
PAT	136.1	182.5	132.3	174.7	-2.8	-4.3
Loans	6,805	8,030	6,805	8,030	0.0	0.0
Deposits	7,574	8,899	7,574	8,899	0.0	0.0
Margins (%)	3.46	3.50	3.62	3.67	0.15	0.17
Credit Cost (%)	1.30	0.95	1.20	0.90	(0.10)	(0.05)
RoA (%)	1.31	1.53	1.28	1.47	(0.03)	(0.06)
RoE (%)	12.3	14.9	12.0	14.4	(0.31)	(0.54)
EPS	21.1	28.3	20.5	27.1	-2.8	-4.3
BV	181.1	202.9	180.5	201.0	-0.3	-0.9
ABV	153.2	176.2	153.8	174.9	0.4	-0.7

Source: MOFSL, Company

Buy with SOTP-based TP of INR520 (2.2x FY21E ABV for the standalone bank).

Valuations and View

- Overall pool of stress loans is showing consistent decline and bulk of the NPA recognition is happening from the earlier disclosed BB and below pool.
- Near term business growth will be driven by retail business and the share of high profit making products (mainly by cross sell) like credit cards, personal loans and business banking is likely to go up. Within corporate loans, working capital related loans are likely to be the key drivers.
- Retail business matrix remain healthy with a) Average CASA ratio of 43.4% b) Contribution to fees at 72% c) Higher share of secured loans and continued healthy growth. Structural improvement in liability and ALM profile over the last few years has helped ICICIBC to gradually improve NIMs, despite increasing competition within retail business.
- Strong capitalization (Tier-1 of ~14.6%), significant improvement in granularity of book and sustained improvement in liability profile (helping to de-risk business) are the key positives.
- ICICIBC has delivered steady operating performance and is set to see earnings normalization. With asset quality stabilizing, credit cost will moderate meaningfully in FY20E/21E, thus, boosting return ratios. For FY20/FY21, we have fine-tuned our estimates slightly and changed our tax assumption, thus, lowering PAT estimate by ~3%/4%. We expect the bank to deliver loan CAGR of 17% over FY19-21E, and estimate core RoA/RoE to improve to 1.5%/15.5%. Maintain **Buy** with an unchanged SOTP-based TP of INR520 (2.2x FY21E ABV for the bank). ICICI remains our top pick in the sector.

Exhibit 17: ICICI Bank — SOTP-based FY21E

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	100	2,515	390	74.9	❖ 2.2x FY21E ABV
ICICI Pru Life Insurance	53	361	62	11.8	❖ 2.3x FY21E Embedded Value
ICICI Lombard Gen. Ins	56	309	48	9.2	❖ 35x FY21E PAT
ICICI Pru AMC	51	131	20	3.9	❖ 6.0% FY21E AUM
ICICI Securities	79	79	12	2.4	❖ 15x FY21E PAT
ICICI Bank UK	100	38	6	1.1	❖ 1.2x FY21E Net-worth
ICICI Bank Canada	100	35	5	1.1	❖ 1x FY21E Net-worth
Others (Ventures, Home Finance, PD)	100	62	10	1.8	❖ 10% FY21E AUM for ventures, 1.5x/1x FY21E Net-worth for Home finance/PD
Total Value of Ventures		1,015	163	31.3	
Less: 20% holding Discount		203	33	6.3	
Value of Key Ventures (Post Holding Co. Disc)		812	130	25.1	
Target Price Post 20% Holding Co. Disc.		3,327	520		

Source: MOFSL, Company

Exhibit 18: DuPont Analysis — Return ratio to pick up over FY20/FY21E

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	7.91	7.72	7.26	6.66	6.88	7.18	7.29
Interest Expense	4.84	4.61	4.34	3.87	3.95	4.02	4.04
Net Interest Income	3.07	3.11	2.91	2.79	2.93	3.16	3.25
Core Fee Income	1.56	1.56	1.54	1.32	1.26	1.27	1.11
Trading and others	0.41	0.69	1.07	0.79	0.31	0.16	0.31
Non Interest income	1.96	2.24	2.61	2.11	1.57	1.43	1.42
Total Income	5.03	5.35	5.53	4.90	4.50	4.59	4.66
Operating Expenses	1.85	1.86	1.98	1.90	1.96	1.98	1.94
Employee cost	0.77	0.73	0.77	0.72	0.74	0.76	0.74
Others	1.09	1.12	1.21	1.19	1.22	1.23	1.20
Operating Profits	3.18	3.49	3.55	3.00	2.54	2.61	2.72
Core operating Profits	2.77	2.80	2.48	2.21	2.23	2.45	2.41
Provisions	0.63	1.71	2.04	2.10	2.13	0.75	0.60
NPA	0.51	1.06	1.97	1.73	1.82	0.74	0.56
Others	0.12	0.65	0.07	0.37	0.31	0.02	0.04
PBT	2.55	1.78	1.51	0.90	0.41	1.85	2.12
Tax	0.75	0.36	0.20	0.08	0.04	0.57	0.66
RoA	1.80	1.42	1.31	0.82	0.36	1.28	1.47
Leverage	8.1	8.2	8.1	8.3	8.9	9.4	9.8
RoE	14.5	11.6	10.7	6.8	3.2	12.0	14.4
Core RoE	17.2	13.4	12.1	7.6	3.6	13.2	15.5

Source: MOFSL, Company

Financials and Valuations

Income Statement						(INR m)	
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	490,911	527,394	541,563	549,659	634,012	742,513	868,887
Interest Expended	300,515	315,154	324,190	319,400	363,864	415,681	481,679
Net Interest Income	190,396	212,240	217,373	230,258	270,148	326,831	387,208
Growth (%)	15.6	11.5	2.4	5.9	17.3	21.0	18.5
Other Income	121,761	153,231	195,045	174,196	145,122	148,024	168,747
Total Income	312,157	365,471	412,418	404,455	415,270	474,855	555,955
Growth (%)	16.0	17.1	12.8	-1.9	2.7	14.3	17.1
Operating Exp.	114,958	126,836	147,551	157,039	180,891	205,095	231,555
Operating Profits	197,199	238,635	264,867	247,415	234,379	269,760	324,401
Growth (%)	18.8	21.0	11.0	-6.6	-5.3	15.1	20.3
Core PPP	181,715	200,681	178,635	189,519	220,985	253,687	306,721
Growth (%)	14.8	10.4	-11.0	6.1	16.6	14.8	20.9
Provisions & Cont.	38,996	116,678	152,081	173,070	196,611	78,003	71,212
PBT	158,203	121,957	112,786	74,346	37,768	191,758	253,189
Tax	46,450	24,694	14,775	6,571	4,135	59,445	78,488
Tax Rate (%)	29.4	20.2	13.1	8.8	10.9	31.0	31.0
PAT	111,753	97,263	98,011	67,774	33,633	132,313	174,700
Growth (%)	13.9	-13.0	0.8	-30.9	-50.4	293.4	32.0
Balance Sheet							
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	12,762	12,797	12,816	12,858	12,895	12,895	12,895
Reserves & Surplus	791,532	884,559	979,005	1,038,731	1,070,786	1,167,722	1,300,026
Net Worth	807,794	900,856	995,321	1,051,589	1,083,680	1,180,616	1,312,921
Deposits	3,615,627	4,214,257	4,900,391	5,609,752	6,529,197	7,573,868	8,899,295
Growth (%)	8.9	16.6	16.3	14.5	16.4	16.0	17.5
Of which CASA Deposits	1,643,799	1,931,000	2,468,219	2,899,253	3,239,403	3,544,570	4,271,662
Growth (%)	15.5	17.5	27.8	17.5	11.7	9.4	20.5
Borrowings	1,720,673	1,744,574	1,472,062	1,828,586	1,653,200	1,860,628	2,115,073
Other Liabilities & Prov.	317,199	347,264	350,141	301,964	378,515	423,936	474,809
Total Liabilities	6,461,293	7,206,951	7,717,914	8,791,892	9,644,591	11,039,049	12,802,097
Current Assets	423,046	598,687	757,131	841,694	802,963	920,823	1,048,466
Investments	1,581,292	1,604,118	1,615,065	2,029,942	2,077,327	2,388,926	2,771,154
Growth (%)	-10.7	1.4	0.7	25.7	2.3	15.0	16.0
Loans	3,875,221	4,352,639	4,642,321	5,123,953	5,866,466	6,805,100	8,030,018
Growth (%)	14.4	12.3	6.7	10.4	14.5	16.0	18.0
Net Fixed Assets	47,255	75,769	78,052	79,035	79,314	84,866	92,504
Other Assets	534,479	575,737	625,345	717,268	818,522	839,333	859,955
Total Assets	6,461,293	7,206,951	7,717,915	8,791,892	9,644,591	11,039,049	12,802,097
Asset Quality							
GNPA	150,948	262,213	425,515	540,625	462,945	430,553	421,987
NNPA	62,556	129,631	256,089	278,863	135,803	112,969	114,027
GNPA Ratio (%)	3.8	5.8	8.8	10.0	7.5	6.0	5.1
NNPA Ratio (%)	1.6	3.0	5.4	5.4	2.3	1.7	1.4
Slippage Ratio (%)	2.4	4.3	8.0	6.1	2.0	1.9	1.8
Credit Cost (%)	0.9	1.8	3.3	2.9	3.1	1.2	0.9
PCR (Excl Technical write off) (%)	58.6	50.6	39.8	48.4	70.7	73.8	73.0

Financials and Valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Yield and Cost Ratios (%)							
Avg. Yield - Earning Assets	8.9	8.9	8.3	7.7	7.9	8.2	8.2
Avg. Yield on loans	9.8	9.5	8.8	8.4	8.7	8.9	8.9
Avg. Yield on Investments	6.3	6.7	7.1	6.3	6.2	6.6	6.8
Avg. Cost-Int. Bear. Liab.	5.9	5.6	5.3	4.6	4.7	4.7	4.7
Avg. Cost of Deposits	5.9	5.5	5.0	4.5	4.4	4.6	4.5
Interest Spread	3.5	3.6	3.4	3.0	3.3	3.5	3.5
Net Interest Margin	3.5	3.6	3.3	3.2	3.4	3.6	3.7

Capitalization Ratios (%)

CAR	17.0	16.6	17.4	17.9	16.9	16.4	15.4
Tier I	12.8	13.1	14.4	15.6	15.1	14.8	14.0
Tier II	4.2	3.6	3.0	2.3	1.8	1.6	1.4

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	107.2	103.3	94.7	91.3	89.8	89.8	90.2
CASA Ratio %	45.5	45.8	50.4	51.7	49.6	46.8	48.0
Cost/Assets	1.8	1.8	1.9	1.8	1.9	1.9	1.8
Cost/Total Income	36.8	34.7	35.8	38.8	43.6	43.2	41.6
Cost/Core Income	38.7	38.7	45.2	45.3	45.0	44.7	43.0
Int. Expended/Int. Earned	61.2	59.8	59.9	58.1	57.4	56.0	55.4
Other Inc./Net Income	39.0	41.9	47.3	43.1	34.9	31.2	30.4
Empl. Cost/Op. Exps.	41.3	39.4	38.9	37.7	37.6	38.2	38.2

Valuation

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
RoE (%)	14.5	11.6	10.7	6.8	3.2	12.0	14.4
Core RoE (%)	17.2	13.4	12.1	7.6	3.6	13.2	15.5
RoA (%)	1.8	1.42	1.31	0.82	0.36	1.3	1.5
RoRWA (%)	2.1	1.7	1.6	1.1	0.5	1.7	1.9
Book Value (INR)	138.7	151.6	168.7	161.0	165.5	180.5	201.0
BV Growth (%)	9.4	9.3	11.3	-4.6	2.8	9.1	11.4
Price-BV (x)	2.1	1.9	1.7	1.8	1.7	1.6	1.4
Adjusted Book Value	111.3	117.1	120.2	115.3	135.5	153.8	174.9
ABV Growth (%)	10.0	5.2	2.7	-4.0	17.5	13.5	13.7
Adjusted Price-ABV (x)	2.6	2.4	2.4	2.5	2.1	1.8	1.6
Consol Book Value (INR)	146.1	161.8	179.6	172.1	177.2	186.0	198.4
BV Growth (%)	10.4	10.8	11.0	-4.2	3.0	5.0	6.6
Price-Consol BV (x)	2.8	2.6	2.3	2.4	2.3	2.2	2.1
EPS (INR)	19.3	16.7	16.8	11.1	5.2	20.5	27.1
EPS Growth (%)	13.6	-13.3	0.5	-34.3	-52.8	292.8	32.0
Price-Earnings (x)	21.5	24.8	24.7	37.6	79.5	20.2	15.3
Dividend Per Share (INR)	4.5	4.5	4.0	2.3	1.5	5.5	6.6
Dividend Yield (%)	1.1	1.1	1.0	0.5	0.4	1.3	1.6

Corporate profile

Company description

Promoted by the erstwhile ICICI Ltd, ICICI Bank was incorporated in 1994. Currently, the bank is India's one of the largest private sector bank, with an asset base of INR9.6t. ICICIB through its subsidiaries has an established presence in life and general insurance, asset management, and equity broking segments. The bank has an established presence in the country with 4,882 branches and 15,101 ATMs.

Exhibit 1: Sensex rebased

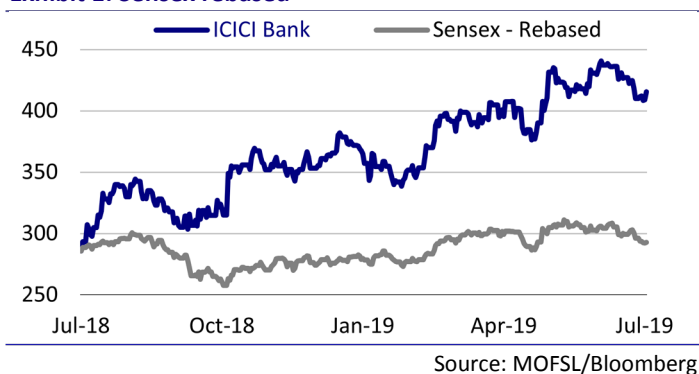


Exhibit 2: Shareholding pattern (%)

	Jun-19	Mar-19	Jun-18
DII	0.0	0.0	0.0
FII	34.8	34.4	32.0
Others	56.8	57.2	60.0

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	7.9
HDFC TRUSTEE CO LTD (VARIOUS MUTUAL FUND ACCOUNTS)	4.0
DODGE & COX INTERNATIONAL STOCK FUND	3.7
SBI MUTUAL FUND (VARIOUS MUTUAL FUND ACCOUNTS)	2.8
ICICI PRUDENTIAL MUTUAL FUND (VARIOUS MUTUAL FUND ACCOUNTS)	2.3

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Girish Chandra Chaturvedi	Chairman
Sandeep Bakhshi	MD & CEO
Anup Bagchi	Executive Director
Vishakha Mulye	Executive Director
Rakesh Jha	CFO

Source: Capitaline

Exhibit 5: Directors

Name	Name
S Madhavan	Neelam Dhawan
Uday Chitale	Rama Bijapurkar
Lalit Kumar Chandel	Radhakrishnan Nair
B Sriram	Hari L. Mundra

Exhibit 6: Auditors

Name	Type
Walker Chandiok & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus (Standalone bank)

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	20.5	21.5	-4.7
FY21	27.1	27.7	-2.2

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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