

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ICICIBC IN
Equity Shares (m)	6,470
M.Cap.(INRb)/(USD\$b)	2180.2 / 29.2
52-Week Range (INR)	552 / 269
1, 6, 12 Rel. Per (%)	-1/-7/5
12M Avg Val (INR M)	11312

Financials & valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	332.7	376.6	424.7
OP	281.0	312.6	347.4
NP	79.3	122.2	163.5
NIM (%)	3.7	3.7	3.7
EPS (INR)	12.3	18.9	25.3
EPS Gr (%)	135.0	53.8	33.8
ABV/Sh. (INR)	152.1	167.0	193.0
Cons. BV/Sh. (INR)	191.3	211.0	234.4

Ratios

RoE (%)	7.2	10.3	12.4
RoA (%)	0.8	1.1	1.3

Valuations

P/BV (x) (Cons)	1.8	1.6	1.4
P/ABV (x)	1.5	1.4	1.2
P/E (x)	19.2	12.5	9.3
Div. Yield (%)	0.0	0.5	0.6

*Adjusted for Investment in Subs

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	0.0	0.0	0.0
DII	36.4	34.4	34.4
FII	54.5	57.2	57.2
Others	9.1	8.4	8.4

FII Includes depository receipts

CMP: INR338 TP: INR475 (+41%) Buy

Stable operating performance; COVID-19 drags down earnings, tempers growth outlook

High moratorium places asset quality as key monitorable

- The bank has created higher than the required provisions toward COVID-19 which affected earnings. On the other hand, operating performance remains strong, supported by robust NII at 17% YoY, despite higher tax refunds in 4QFY19. On the asset quality front, slippages remain elevated, led by one healthcare and one oil trading account, although higher write-offs have led to GNPA improvement. ~30% of the loan book has availed moratorium, with a higher incidence of the CV, 2-Wheeler, and Rural portfolios.
- We cut our FY21/22 PAT estimate by 8%/3% as we factor in higher credit cost and moderation in fee growth. Maintain **Buy**.

COVID-19 provisions drag down earnings; Slippages stand elevated due to select corporate accounts

- PAT grew 26% YoY to INR12.2b (71% QoQ decline; MOSLe: INR26.7b), affected by higher provisions (INR59.7b), as the bank made COVID-19 provisions of INR27.25b, higher than the requirement as per RBI guidelines.
- NII grew 17% YoY to INR89.3b, led by ~16% YoY growth in retail loans and 10bp QoQ expansion in margins to 3.87%. In FY20, NII/PPoP/PAT grew at 23%/20%/136% YoY.
- Other income rose 18% YoY, with core fees growing 13% YoY to ~INR36b (retail forms 75% of the total fees). Opex grew 16% YoY to INR57.9b, resulting in PPOp growth of 19% YoY to INR73.9b (8% beat).
- Advances grew 10% YoY, with the domestic book growing at 13% YoY (~16% YoY growth in retail), while the overseas loan mix declined to 8.4%. Deposit growth came in strong at 18% YoY, led by term deposits growing ~29% YoY. The avg. CASA mix stood at 42.3% v/s 42.8% in 3QFY20.
- Fresh slippages increased to INR53.1b, led by one healthcare and one oil trading account, resulting in corporate and SME slippages of INR40.1b, and retail slippages at INR12.9b. Overdue loans (90+ dpd) worth INR13.1b were not classified as GNPA as the bank availed RBI relaxation, which otherwise would have impacted GNPA by 18bp. Higher write-offs (INR54.5b) led to improvement in the GNPA/NNPA ratio by 42bp/8bp QoQ to 5.5%/1.4%. PCR stood largely stable at 75.6%.
- The BB and below book declined to INR166.7b (v/s INR174b in 3QFY20). Downgrades in the BB and below pool have come from certain accounts in the CRE sector.

Highlights from management commentary

- **COVID-19 impact:** As of April'20, ~30% of the portfolio had availed moratorium. High moratorium was availed in the CV, 2-Wheeler, and Rural portfolios.
- COVID-19 provisions were predominantly toward retail loans. INR12b (10% provisions) was towards overdue accounts, as per RBI guidelines.

Valuation and view

We expect loan growth to moderate given the weak macro environment, weighed by the COVID-19 outbreak. The BB and below pool is likely to increase, while a high share of loans under moratorium would result in elevated slippages over FY21E. As a prudent measure, the bank has made additional provisions of INR27.2b toward COVID-19-related stress; furthermore, lower exposure to the SME segment (3.5% of loans) and high granularity in the BB and below book provides some comfort. Nevertheless, we increase our credit cost estimate to 2.2% in FY21E and cut FY21/22E earnings by 8%/3%. We thus estimate ICICIBC to deliver RoA/RoE of 1.3%/12.4% in FY22. Maintain **Buy**, with an SOTP-based target price of INR475 (1.9x FY22 ABV for the bank).

Quarterly performance

(INR b)

	FY19				FY20				FY19	FY20	FY20	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Interest Income	61.0	64.2	68.8	76.2	77.4	80.6	85.5	89.3	270.1	332.7	81.4	10%
% Change (YoY)	9.2	12.4	20.5	26.5	26.8	25.6	24.3	17.1	17.3	23.1	6.9	
Other Income	38.5	31.6	38.8	36.2	34.3	41.9	45.7	42.5	145.1	164.5	42.1	1%
Total Income	99.5	95.7	107.6	112.4	111.6	122.5	131.2	131.8	415.3	497.2	123.5	7%
Operating Expenses	41.5	43.2	46.1	50.1	48.7	53.8	55.7	57.9	180.9	216.1	53.6	8%
Operating Profit	58.1	52.5	61.5	62.3	62.9	68.7	75.5	73.9	234.4	281.0	69.8	6%
% Change (YoY)	12.1	-24.9	21.5	-17.0	8.3	30.9	22.8	18.6	-5.3	19.9	12.0	
Provisions	59.7	39.9	42.4	54.5	35.0	25.1	20.8	59.7	196.6	140.5	34.2	74%
Profit before Tax	-1.6	12.6	19.0	7.8	27.9	43.7	54.7	14.2	37.8	140.5	35.6	-60%
Tax	-0.4	3.5	3.0	-1.9	8.8	37.1	13.2	2.0	4.1	61.2	8.9	-77%
Net Profit	-1.2	9.1	16.0	9.7	19.1	6.5	41.5	12.2	33.6	79.3	26.7	-54%
% Change (YoY)	NM	-55.8	-2.7	-5.0	NM	-27.9	158.4	26.0	-50.4	135.8	175.8	
Operating Parameters												
Deposit	5,469	5,587	6,068	6,529	6,607	6,963	7,163	7,710	6,529	7,710	7,378	4%
Loan	5,163	5,445	5,643	5,866	5,924	6,134	6,357	6,453	5,866	6,453	6,541	-1%
Deposit Growth (%)	12.5	12.0	17.3	16.4	20.8	24.6	18.1	18.1	16.4	18.1	13.0	508
Loan Growth (%)	11.3	12.8	11.7	14.5	14.7	12.6	12.6	10.0	14.5	10.0	11.5	(150)
Asset Quality												
Gross NPA (%)	8.8	8.5	7.8	6.7	6.5	6.4	6.0	5.5	6.7	5.5	6.3	(73)
Net NPA (%)	4.2	3.7	2.6	2.1	1.8	1.6	1.5	1.4	2.1	1.4	1.7	(29)
PCR (%)	54.8	59.5	68.5	70.7	74.1	76.1	76.1	75.6	70.7	75.6	74.2	140

E:MOFSL Estimates

Quarterly snapshot

	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Profit and Loss (INRb)														
Interest Income	134.6	135.8	136.7	142.6	147.2	151.1	162.8	172.9	179.8	185.7	190.6	191.9	11	1
Loans	98.5	100.9	102.4	106.9	109.8	115.1	125.2	129.3	136.2	143.0	148.0	148.4	15	0
Investment	28.3	28.8	28.6	30.0	31.4	30.9	32.4	33.4	36.5	37.3	36.8	36.2	9	-2
Interest Expenses	78.7	78.7	79.6	82.4	86.2	86.9	94.1	96.7	102.4	105.1	105.2	102.6	6	-2
Net Interest Income	55.9	57.1	57.1	60.2	61.0	64.2	68.8	76.2	77.4	80.6	85.5	89.3	17	4
Other Income	33.9	51.9	31.7	56.8	38.5	31.6	38.8	36.2	34.3	41.9	45.7	42.5	18	-7
Trading profits	8.6	21.9	0.7	26.9	7.7	-0.4	4.8	1.6	1.8	3.4	5.3	2.4	55	-54
Fee Income	23.8	25.7	26.4	27.6	27.5	30.0	30.6	31.8	30.4	34.8	36.0	36.0	13	0
Others	1.5	4.2	4.6	2.4	3.3	2.0	3.4	2.9	2.1	3.8	4.5	4.1	45	-7
Total Income	89.8	109.0	88.7	117.0	99.5	95.7	107.6	112.4	111.6	122.5	131.2	131.8	17	0
Operating Expenses	37.9	39.1	38.1	41.9	41.5	43.2	46.1	50.1	48.7	53.8	55.7	57.9	16	4
Employee	15.1	15.1	13.6	15.3	15.1	16.6	17.3	19.0	19.5	21.4	19.4	22.3	18	15
Others	22.8	23.9	24.5	26.6	26.3	26.6	28.8	31.1	29.2	32.4	36.3	35.6	14	-2
Operating Profits	51.8	69.9	50.6	75.1	58.1	52.5	61.5	62.3	62.9	68.7	75.5	73.9	19	-2
Core PPOP	43.3	47.9	49.9	48.3	50.4	52.8	56.7	60.8	61.1	65.3	70.2	71.5	18	2
Provisions	26.1	45.0	35.7	66.3	59.7	39.9	42.4	54.5	35.0	25.1	20.8	59.7	9	186
PBT	25.7	24.8	14.9	8.9	-1.6	12.6	19.0	7.8	27.9	43.7	54.7	14.2	82	-74
Taxes	5.3	4.3	-1.6	-1.3	-0.4	3.5	3.0	-1.9	8.8	37.1	13.2	2.0	-208	-85
PAT	20.5	20.6	16.5	10.2	-1.2	9.1	16.0	9.7	19.1	6.5	41.5	12.2	26	-71
Balance Sheet (INR b)														
Loans	4,641	4,828	5,054	5,124	5,163	5,445	5,643	5,866	5,924	6,134	6,357	6,453	10	2
Investments	1,992	1,799	1,798	2,030	1,864	1,875	1,977	2,077	2,200	2,234	2,275	2,495	20	10
Deposits	4,863	4,986	5,174	5,610	5,469	5,587	6,068	6,529	6,607	6,963	7,163	7,710	18	8
Borrowings	1,411	1,507	1,582	1,829	1,620	1,747	1,643	1,653	1,567	1,510	1,374	1,629	-1	19
Total Assets	7,609	7,878	8,135	8,792	8,451	8,743	9,124	9,645	9,638	9,970	10,071	10,984	14	9
Asset Quality (INR b)														
GNPA	431.5	444.9	460.4	540.6	534.6	544.9	515.9	462.9	457.6	456.4	434.5	414.1	-11	-5
NNPA	253.1	241.3	238.1	278.9	241.7	220.9	162.5	135.8	118.6	109.2	103.9	101.1	-26	-3
Deposits Break Up														
CASA Deposits	2,380	2,469	2,606	2,899	2,763	2,835	2,994	3,239	2,989	3,250	3,364	3,478	7	3
% of total Deposits	49	50	50	52	51	51	49	50	45	47	47	45		
Savings	1,700	1,785	1,859	2,010	1,996	2,075	2,108	2,277	2,185	2,306	2,354	2,456	8	4
% of total Deposits	35	36	36	36	36	37	35	35	33	33	33	32		
Current	681	684	748	890	767	761	886	963	804	944	1,010	1,022	6	1
% of total Deposits	14	14	14	16	14	14	15	15	12	14	14	13		
Term Deposits	2,482	2,518	2,568	2,711	2,706	2,751	3,074	3,290	3,619	3,713	3,799	4,232	29	11
% of total Deposits	51	50	50	48	49	49	51	50	55	53	53	55		
Loan Break Up														
Agriculture														
SME Loans	209	208	248	256	239	147	162	179	177	191	216	226	26	5
Corporate Loans	1,242	1,313	1,359	1,322	1,309	1,490	1,477	1,529	1,515	1,533	1,595	1,607	5	1
Retail Loans	2,475	2,588	2,739	2,900	2,970	3,118	3,332	3,528	3,636	3,810	3,979	4,078	16	2
<i>of which</i>														
- Housing	1,327	1,384	1,449	1,499	1,545	1,609	1,713	1,782	1,840	1,909	1,966	2,002	12	2
- Personal Loans	151	166	186	209	223	249	277	310	345	377	422	453	46	7
- Credit Cards	82	83	90	93	104	106	113	123	138	149	163	155	25	-5
- Others	916	955	1,014	1,099	1,099	1,154	1,230	1,313	1,313	1,375	1,429	1,468	12	3
International Loans	715	719	708	646	644	691	672	630	596	600	566	542	-14	-4
Loan Mix (%)														
SME Loans	4.5	4.3	4.9	5.0	4.6	2.7	2.9	3.1	3.0	3.1	3.4	3.5	45	10
Corporate Loans	26.8	27.2	26.9	25.8	25.4	27.4	26.2	26.1	25.6	25.0	25.1	24.9	-116	-20
Retails	53.3	53.6	54.2	56.6	57.5	57.3	59.0	60.1	61.4	62.1	62.6	63.2	306	60
International Loans	15.4	14.9	14.0	12.6	12.5	12.7	11.9	10.7	10.1	9.8	8.9	8.4	-234	-50

	FY18				FY19				FY20				Change (%)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ	
Ratios (%)															
Asset Quality Ratios															
GNPA	8.0	7.9	7.8	8.8	8.8	8.5	7.8	6.7	6.5	6.4	6.0	5.5	-117	-42	
NNPA	5.5	4.4	4.2	4.8	4.2	3.7	2.6	2.1	1.8	1.6	1.5	1.4	-65	-8	
PCR (Calculated)	41.4	45.8	48.3	48.4	54.8	59.5	68.5	70.7	74.1	76.1	76.1	75.6	491	-52	
Credit Cost	2.2	3.8	2.9	5.2	4.6	3.0	3.1	3.8	2.4	1.7	1.3	3.7	-6	239	
Business Ratios															
Fees to Total Income	26.5	23.6	29.7	23.5	27.7	31.3	28.5	28.3	27.2	28.4	27.4	27.3	-98	-11	
Cost to Core Income	46.7	44.9	43.3	46.4	45.1	45.0	44.9	45.2	44.4	45.1	44.3	44.8	-42	51	
Tax Rate	20.4	17.1	-10.9	-14.8	26.6	27.6	15.6	-23.9	31.7	85.0	24.1	14.1	3,807	-998	
CASA	49.0	49.5	50.4	51.7	50.5	50.8	49.3	49.6	45.2	46.7	47.0	45.1	-450	-190	
Dom. Loan/Deposit	81.8	82.4	84.0	79.8	82.6	85.1	81.9	80.2	80.6	79.5	80.8	76.7	-353	-417	
Loan / Deposit	95.4	96.8	97.7	91.3	94.4	97.5	93.0	89.8	89.7	88.1	88.7	83.7	-615	-504	
Profitability Ratios															
Yield on loans	8.7	8.7	8.5	8.7	8.7	8.8	9.0	9.3	9.4	9.5	9.5	9.4	12	-11	
Yield On Investments	6.5	6.7	6.4	6.3	6.4	6.6	6.7	6.6	6.8	6.7	6.5	6.1	-51	-45	
Yield on Funds	7.9	7.8	7.5	7.7	7.7	7.9	8.1	8.5	8.4	8.4	8.4	8.3	-13	-8	
Cost of funds	5.2	5.0	4.9	4.9	5.0	5.0	5.1	5.2	5.2	5.2	5.1	4.9	-28	-14	
Margins	3.3	3.3	3.1	3.2	3.2	3.3	3.4	3.7	3.6	3.6	3.8	3.9	15	10	
RoA (cal.)	1.1	1.1	0.8	0.5	-0.1	0.4	0.7	0.4	0.8	0.3	1.7	0.5	6	-119	
RoE (Cal)	8.2	8.0	6.3	3.9	0.0	3.4	6.0	3.6	7.0	2.4	14.6	4.2	60	-1,040	
Other Details															
Branches	4,852	4,856	4,860	4,867	4,867	4,867	4,867	4,874	4,882	5,228	5,275	5,324	450	49	
ATM	13,780	13,792	14,262	14,367	14,394	14,417	14,944	14,987	15,101	15,159	15,589	15,688	701	99	



Highlights from management commentary

COVID-19 related

- As of April'20, ~30% of the total portfolio had availed moratorium.
- The bank highlighted several good corporate customers had availed the moratorium to preserve liquidity.
- The bank witnessed a higher number of borrowers avail moratorium in the CV, 2-Wheeler, and Rural portfolios. This forms ~10–11% of the total portfolio.
- Loans overdue for more than 90 days, but not yet classified as NPA due to the relaxation given by the RBI stand at INR13.1b. The impact on the GNPA ratio would have been ~18bps.
- The bank has created total provisions of ~INR27b toward the COVID-19 impact, predominantly toward retail loans. Of this, ~INR12b is towards overdue accounts, while the remaining INR15b would serve as contingent provisions.

Business segments

- **Home Loans:** This category has an avg. ticket size of INR3m, which is geographically well-diversified. The avg. LTV is ~65%. The LAP portfolio is based on cash flows, with avg. LTV at 55%.
- **Auto Loans:** This category is currently witnessing higher delinquency trends in the CV portfolio, and this is expected to increase further. Also, the CE portfolio is likely to face certain challenges.
- **Unsecured Loans:**
 - 85% of the portfolio consists of salaried customers.

- 75% of these salaried customers are employed at well-rated entities (MNCs and government agencies); however, delinquency trends were marginally higher in the rest of the Salaried portfolio.
- 70% of the Personal & Credit Cards portfolios are from the bank's existing customer base.
- The bank has reduced credit card limits to lower the risk threshold.
- 15% of the Unsecured portfolio is toward the self-employed. This segment is expected to be slightly more vulnerable.
- **Kisan Credit Card:** The bank has witnessed higher delinquency trends in this portfolio in the past few quarters.
- **Business Banking:**
 - The avg. ticket size ranges between INR10–15m.
 - 85% of the portfolio has a collateral cover of more than 100%, while 87% of the lending is classified as PSL.
 - The bank has been witnessing lower delinquency trends in this portfolio.
- **SME:** This comprises customers with turnover of INR2.5b. The bank has witnessed higher NPAs in the past and thus realigned its strategy toward granularizing the portfolio.
- **International:**
 - ~63% of the portfolio is toward Indian companies and their joint ventures, ~7% is owned by NRIs, whereas ~16% is toward non-Indian companies (with India-linked businesses).
 - The BB and below portfolio stands at INR6b.
- **Builder:** The Retail Estate portfolio has been under stress since before the COVID-19 outbreak due to funding issues, low sales volumes, and cash flow constraints. The bank's portfolio is quite granular, with large exposure to well-established builders.
- **NBFC:** Exposure to below-rated entities is just ~2%.
- **Non-fund based exposure:** The proportion of LC & BG has declined, and stands at ~22% of the total advances v/s 34% in FY16.
- **Corporate portfolio:** 90% of the fresh disbursements are toward clients rated A- and above, with a focus on reducing concentration risk. Barring the three accounts (Telecom, Power, and Construction), the maximum exposure to the BB and below portfolio is less than INR6b.

P&L and balance sheet related

- The impact of income tax refunds on margins stood at 4bp v/s 10bp in 3QFY20.
- Dividend income from subsidiaries is expected to reduce over FY21E.
- **On the cost side,** the hiring rate would slow in the near term, while investments toward digital infrastructure would continue. The focus would be on maximizing core operating profit in a risk-calibrated manner.
- If at this point customers move from the MCLR regime to external benchmarking, it would be margin-dilutive for the bank.
- Avg. CA growth, which stands at 17% YoY, is much higher than that of other banks. TD growth has been robust despite interest rates being cut. Overall, cost of deposits has been improving, thereby supporting margins.

Asset quality

- The bank has additional provisions of INR79.4b, which are not considered in the PCR. Of this amount, INR27.25b is toward the COVID-19 crisis, INR34.45b toward general provisions, INR11.8b toward non-fund based o/s to NPAs, and INR5.88b toward standard assets.
- Corporate slippages came from one healthcare and one oil trading account.
- Certain downgrades in the BB and below pool include those from the Commercial Real Estate sector.

Guidance

- ROE guidance of 15% by 1QFY21 would be delayed by some quarters, with the near-term focus likely to be on preserving the balance sheet.

Key exhibits**Exhibit 1: Net stressed loans decline to 3.4% of total loans**

INR b	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
GNPA	535	545	516	463	458	456	435	414
Security Receipts	34	34	33	33	33	33	21	19
Others	84	73	-	-	-	-	-	-
BB and below (Fund based)	199	171	137	116	101	109	122	102
Stress loans	852	823	686	611	591	598	577	536
Less: Overlap	85	73	4	4	2	2	2	2
Gross stress loans	767	750	682	608	590	596	575	534
Specific Provisions	293	324	353	327	339	347	331	313
Net Stress loans	475	426	329	281	250	249	244	221
Gross stress loans (% of advances)	14.9	13.8	12.1	10.4	10.0	9.7	9.0	8.3
Net Stress Loans (% of advances)	9.2	7.8	5.8	4.8	4.2	4.1	3.8	3.4

Exhibit 2: A snapshot of the performances of subsidiaries

Subs PAT (INR m)	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
I Sec	1,150	1,310	1,530	1,590	1,340	1,340	1,010	1,220	1,140	1,350	1,370	1,560	28	14
I Sec PD	660	520	-310	240	-330	-430	1,190	240	690	1,400	970	260	8	-73
I Venture	0	0	20	110	30	-40	20	690	220	-40	30	-70	-110	-333
Pru AMC	1,410	1,560	1,610	1,670	760	1,960	1,960	2,170	2,190	3,050	3,050	2,170	0	-29
ICICI Home Finance	190	140	300	20	230	110	90	-30	-60	-610	30	640	NM	NM
ICIC Life Insurance	4,060	4,210	4,520	3,410	2,820	3,010	2,970	2,610	2,850	3,020	3,020	1,790	-31	-41
ICICI Gen. Insurance	2,150	2,040	2,320	2,120	2,890	2,930	2,390	2,280	3,100	3,080	2,940	2,820	24	-4
Consol. adjustment	-4,060	-9,652	-7,552	-7,940	-6,494	-5,919	-6,939	-7,171	-4,070	-6,490	-6,175	-8,874	24	44
Subsidiaries PAT	5,560	128	2,438	1,220	1,246	2,961	2,691	2,009	6,060	4,760	5,235	296	-85	-94
ICICI Bank	20,490	20,582	16,502	10,200	-1,196	9,089	16,049	9,691	19,080	6,550	41,465	12,214	26	-71
Consol. Profit	26,050	20,710	18,940	11,420	50	12,050	18,740	11,700	25,140	11,310	46,700	12,510	7	-73

Deposit growth led by term deposits; Margins expand 10bp QoQ

Deposit growth was led by
~29%YoY / ~11% QoQ
growth in term deposits

- Deposits grew 18%/8% YoY/QoQ to INR7.7t, led by healthy growth in term deposits. These grew at ~29%/~11% YoY/QoQ, while growth in CASA deposits moderated at ~7% YoY (+3% QoQ). The CASA mix declined 190bp QoQ to 45.1% v/s 47.0% in 3QFY20 (50bp decline on an average basis).
- NIMs expanded 10bp QoQ to 3.87%, led by moderation in cost of deposits, which stood at 4.9% (4bp QoQ). The domestic margin improved 10bp QoQ to

4.14% (v/s 4.04% in 3QFY20), while overseas NIMs declined to 0.28% v/s 0.38% in 3QFY20.

Domestic loan growth came in at ~13% YoY, led by ~16% growth in the retail book, which now forms 63.2% of the total loans

Loan growth moderates from COVID-19 impact; Retail loans grow 16% YoY

- Overall loan growth moderated to ~10%/1.5% YoY/QoQ to INR6.5t, driven by a 16% YoY increase in retail loans. Domestic loans rose ~13% YoY, while international loans declined ~14% YoY. The proportion of international loans in overall loans further declined to 8.4% (v/s 8.9% in 3QFY20).
- Retail loans grew ~16% YoY, within which home loans increased ~12% YoY; on the other hand, personal loans grew ~46% YoY and business banking ~42% YoY. The Credit Cards book also grew robustly at ~26% YoY. However, vehicle loan growth moderated at 4.6% YoY.
- SME loans grew 26% YoY and form 3.5% of the total loans.
- Overall corporate loans grew 5% YoY and performing domestic corporate loans 9.3% YoY.

Quantum of BB and below exposure reduced to INR166.7b (2.6% of loans)

BB and below pool (incl. non-fund based) stable at 2.6% of total loans; PCR stable at 75.6%

- Total slippages elevated to INR53.1b, affected by two accounts (an oil trading account and a healthcare account). Retail slippages came in at INR12.9b, and corporate and SME slippages at 40.1b. ~INR4.7b worth of corporate slippages were due to the impact of INR depreciation on foreign currency NPAs.
- Absolute GNPA declined 4.7% QoQ to INR414.1b at 5.53% (42bp QoQ decline) of customer assets, and NNPA 2.6% QoQ to INR101.1b at 1.41% (-8bp QoQ) of customer assets. Calculated PCR stood stable at 75.6%, while PCR incl. TWO improved 110bp QoQ to 86.8%.
- In addition to the reported PCR, the bank has an additional provision of INR79.4b (1.2% of loans), of which INR27.25n is put toward COVID-19-related issues, while INR11.8b is on a non-fund based o/s to NPAs. INR34.45b is a general provision on standard assets, while INR5.88 is categorized under 'other provision' on standard assets.
- The BB and below book declined 4% QoQ to INR166.7b (2.6% of loans) v/s INR174.0b (2.7% of loans) in 3QFY20. The SR portfolio stands at INR19.3b.

The provision of INR11.82b was held against non-fund o/s to NPLs

Exhibit 3: ICICIBC's total exposure: BB and below stands at 2.7% of total loans

INR b	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Gross restructured loans	14.4	3.9	3.5	1.5	2.2	2.0	1.8
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	33.7	39.2	50.6
Borrowers with o/s greater than INR1b	107.5	97.4	78.0	71.9	85.9	98.7	81.3
Borrowers with o/s <INR1b	64.3	51.0	49.4	43.0	38.9	34.2	32.9
BB and below outstanding	217.9	188.1	175.3	153.6	160.7	174	166.7

Of the other borrowers, ~85% were rated A- and above (excluding exposure to state electricity boards)

Exhibit 4: Power sector exposure stands at INR380b

INRb	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	%
Gross restructured loans	114	112	110.4	92.2	92.3	24
Other borrowers*	260	279	223.7	229.9	288.0	76
Total Power sector exposure	374	391	334.1	322.1	380.3	100

Valuation view

- **Liability franchise remains robust:** ICICIBC continues to see strong growth in retail deposits and has succeeded in building a robust liability franchise over the past few years. The bank's total deposits witnessed ~16% CAGR over FY15–20, with CASA at ~16% CAGR, thus enabling the bank to have one of the highest CASA mixes among peers. ICICIBC has one of the lowest funding costs among private banks, enabling it to underwrite profitable business without taking undue balance sheet risks.
- **Asset quality to remain under pressure:** The impact of COVID-19 would have a severe impact across multiple segments due to the contagion effect. We expect a potential increase in delinquencies in the SME/Business Loans, Auto, Builder, Kisan Credit Card, and Unsecured Retail portfolios, among others. We expect the BB and below pool to grow in the coming quarters; thus, slippage trends would remain elevated. Overall, estimated credit cost would remain elevated at 2.2% for FY21E.
- Retail fees form ~75% of the bank's fees, signifying the granularity in fee income. However, due to the slowdown in consumption spending in the near term, we expect fee growth trends to moderate.
- **Buy, with target price of INR475:** We expect loan growth to moderate given the weak macro environment, weighed by the COVID-19 outbreak. The BB and below pool is likely to increase, while a high share of loans under moratorium would result in elevated slippages over FY21E. As a prudent measure, the bank has made additional provisions of INR27.2b toward COVID-19-related stress; also, lower exposure to the SME segment (3.5% of loans) and high granularity in the BB and below book provide some comfort. Nevertheless, we increase our credit cost estimate to 2.2% in FY21E and cut FY21/22E earnings by 8%/3%. We thus estimate ICICIBC to deliver RoA/RoE of 1.3%/12.4% in FY22. Maintain **Buy**, with SOTP-based target price of INR475 (1.9x FY22 ABV for the bank).

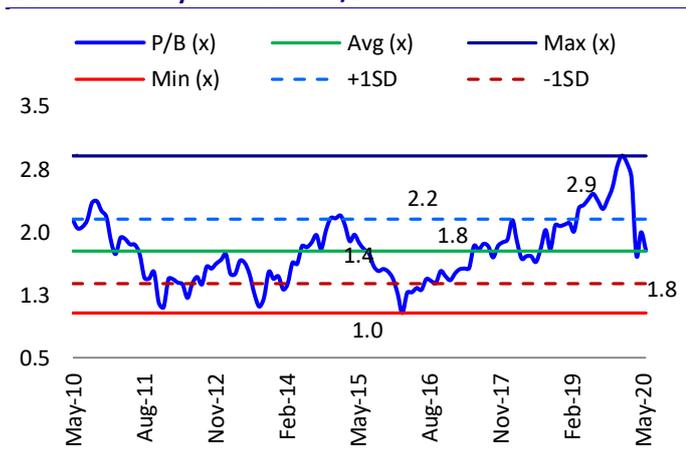
Exhibit 5: SOTP-based pricing

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	100	2,412	373	78.5	1.9x FY22E ABV
ICICI Pru Life Insurance	53	353	55	11.5	2.2x FY22 Embedded Value
ICICI Lombard Gen. Ins	56	180	28	5.8	20x FY22E PAT
ICICI Pru AMC	51	120	19	3.9	20x FY22E PAT
ICICI Securities	79	65	10	2.1	12x FY22E PAT
ICICI Bank UK	100	25	4	0.8	0.8x FY22E Net-worth
ICICI Bank Canada	100	29	5	1.0	0.8x FY22E Net-worth
Others (Ventures, Home Finance, PD)	100	55	8	1.8	10% FY22E AUM for ventures, 0.6x/1x FY22E Net-worth for Home finance/PD
Total Value of Ventures		827	128	26.9	
Less: 20% holding Discount		165	26	5.4	
Value of Ventures (Post Hold Co. Disc)		662	102	21.5	
Target Price Post 20% Holding Co. Disc.		3,074	475		

Exhibit 6: We cut our estimates for FY21/22 by 8%/3% as we factor in lower fee income and higher credit cost

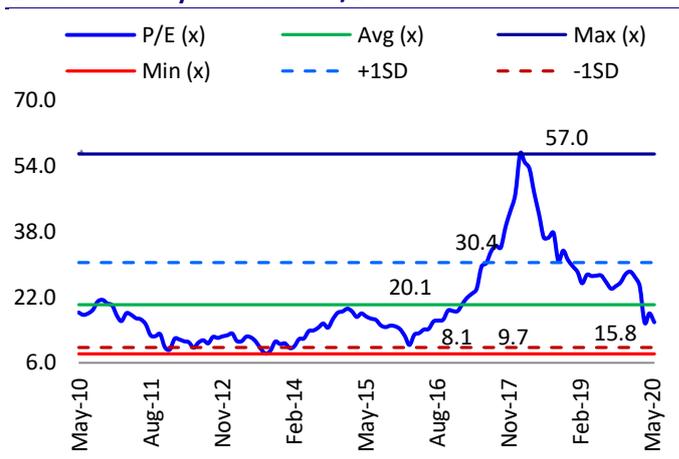
INR b	Old Est.		Revised Est.		Chg. (%)/bps	
	FY21	FY22	FY21	FY22	FY21	FY22
Net Interest Income	356.6	405.0	376.6	424.7	5.6	4.8
Other Income	186.9	216.9	174.4	195.3	-6.7	-10.0
Total Income	543.6	621.9	550.9	619.9	1.4	-0.3
Operating Expenses	244.0	277.6	238.3	272.5	-2.3	-1.8
Operating Profits	299.6	344.3	312.6	347.4	4.4	0.9
Provisions	124.3	122.3	151.8	132.2	22.1	8.2
PBT	175.2	222.0	160.9	215.2	-8.2	-3.1
Tax	42.1	53.3	38.6	51.6	-8.2	-3.1
PAT	133.2	168.7	122.2	163.5	-8.2	-3.1
Loans	7,359	8,389	7,098	8,021	-3.5	-4.4
Deposits	8,411	9,673	8,866	10,462	5.4	8.2
Margins (%)	3.67	3.70	3.67	3.73	(0)	3
Credit Cost (%)	1.74	1.50	2.20	1.70	46	20
RoA (%)	1.21	1.36	1.06	1.27	(14)	(9)
RoE (%)	11.5	13.3	10.3	12.4	(124)	(95)
EPS	20.7	26.2	18.9	25.3	-8.6	-3.5
BV	188.6	208.2	194.6	217.7	3.2	4.5
ABV	156.2	177.2	167.0	193.0	7.0	8.9

Exhibit 7: One-year forward P/B



Source: MOFSL, Company

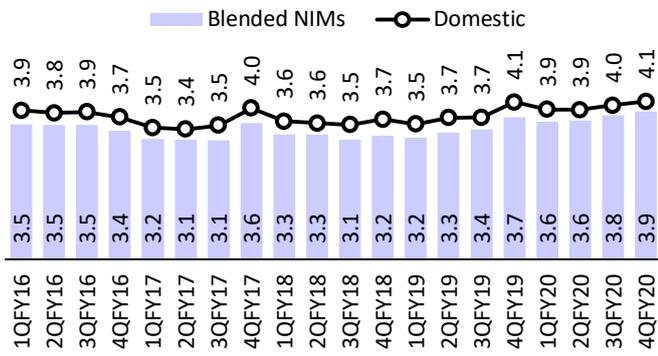
Exhibit 8: One-year forward P/E



Source: MOFSL, Company

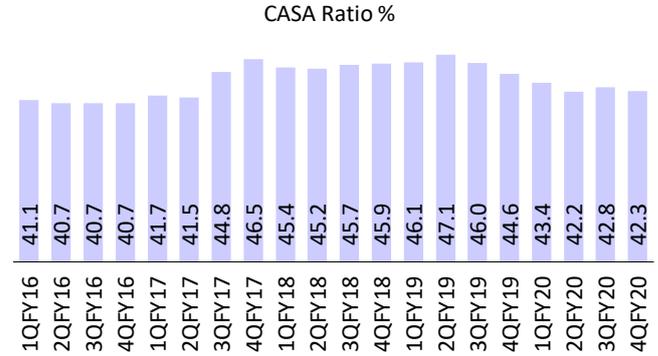
Story in Charts

Exhibit 9: Domestic NIM increased 10bp QoQ to 4.1%



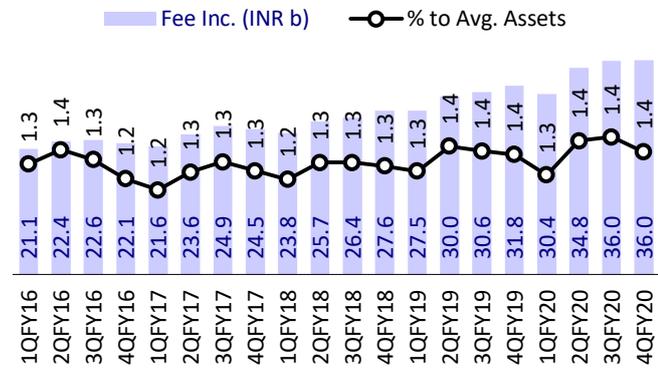
Source: MOFSL, Company

Exhibit 10: Average daily CASA ratio declined 50bp QoQ



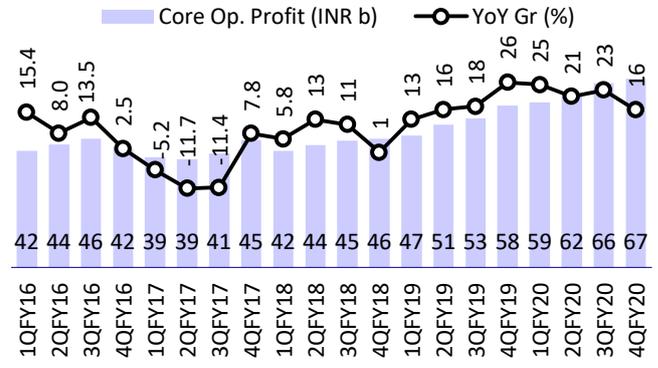
Source: MOFSL, Company

Exhibit 11: Fee income saw moderation due to COVID-19



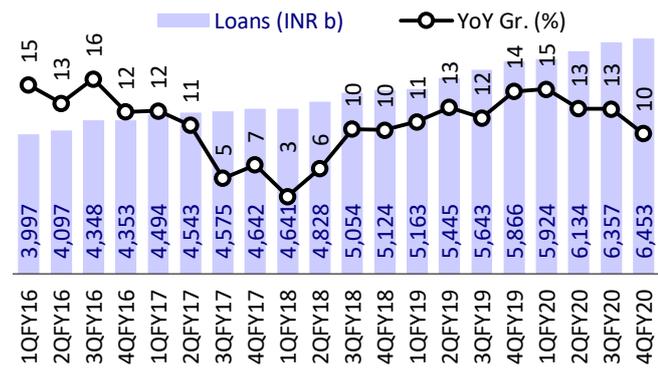
Source: MOFSL, Company

Exhibit 12: Core op. profits grew 17% YoY



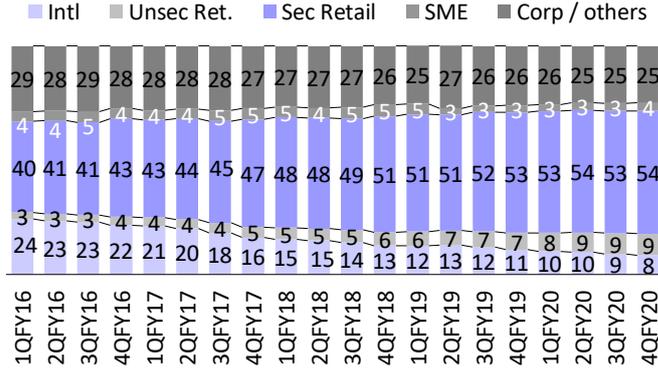
Source: MOFSL, Company

Exhibit 13: Overall loan growth moderated to 10.0% YoY



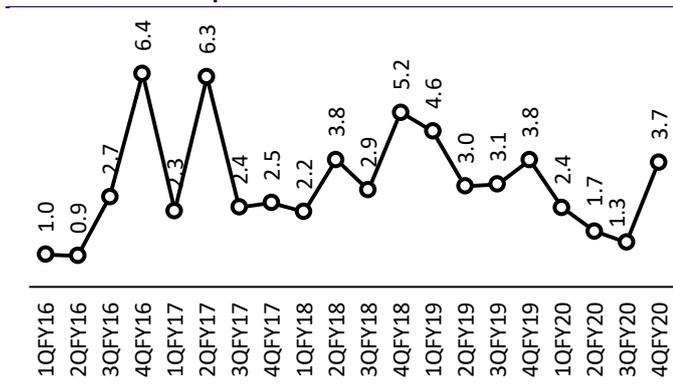
Source: MOFSL, Company

Exhibit 14: Retail loans continue to drive loan growth



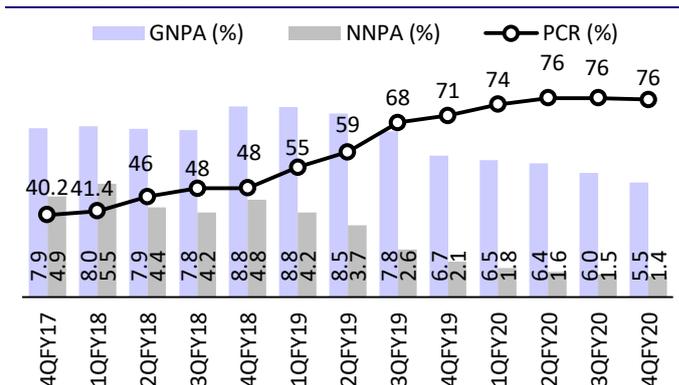
Source: MOFSL, Company

Exhibit 15: Credit cost elevated to 3.7% as the bank created COVID-19-related provisions



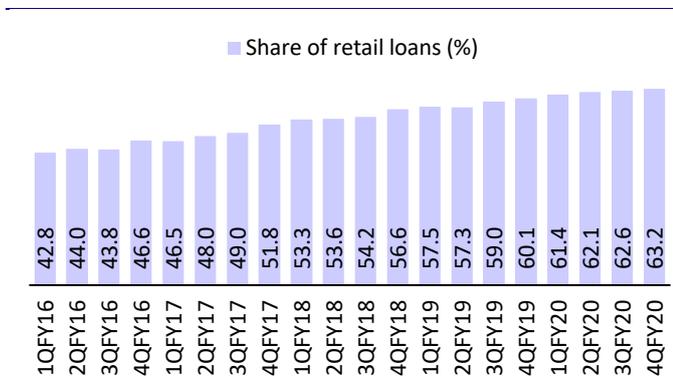
Source: MOFSL, Company

Exhibit 16: The GNPA/NNPA ratio declined 42bp/8bp QoQ; PCR stood at 76%



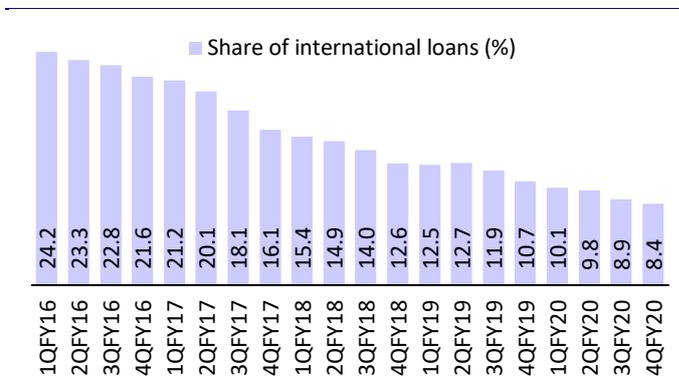
Source: MOFSL, Company

Exhibit 17: Share of retail loans in overall loans increased to 63.2% of total loans



Source: MOFSL, Company

Exhibit 18: Share of international loans in overall loans declined to 8.4% of total loans



Source: MOFSL, Company

Exhibit 19: DuPont Analysis: Return ratio to remain under pressure in near term

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	7.91	7.72	7.26	6.66	6.88	7.25	7.23	7.10
Interest Expense	4.84	4.61	4.34	3.87	3.95	4.03	3.96	3.80
Net Interest Income	3.07	3.11	2.91	2.79	2.93	3.23	3.28	3.30
Core Fee Income	1.56	1.56	1.54	1.32	1.26	1.28	1.29	1.22
Trading and others	0.41	0.69	1.07	0.79	0.31	0.32	0.23	0.30
Non-Interest income	1.96	2.24	2.61	2.11	1.57	1.59	1.52	1.52
Total Income	5.03	5.35	5.53	4.90	4.50	4.82	4.79	4.82
Operating Expenses	1.85	1.86	1.98	1.90	1.96	2.10	2.07	2.12
Employee cost	0.77	0.73	0.77	0.72	0.74	0.80	0.81	0.84
Others	1.09	1.12	1.21	1.19	1.22	1.29	1.26	1.28
Operating Profits	3.18	3.49	3.55	3.00	2.54	2.72	2.72	2.70
Core operating Profits	2.77	2.80	2.48	2.21	2.23	2.41	2.49	2.40
Provisions	0.63	1.71	2.04	2.10	2.13	1.36	1.32	1.03
NPA	0.51	1.06	1.97	1.73	1.82	1.36	1.30	1.00
Others	0.12	0.65	0.07	0.37	0.31	0.00	0.02	0.03
PBT	2.55	1.78	1.51	0.90	0.41	1.36	1.40	1.67
Tax	0.75	0.36	0.20	0.08	0.04	0.59	0.34	0.40
RoA	1.80	1.42	1.31	0.82	0.36	0.77	1.06	1.27
Leverage	8.1	8.2	8.1	8.3	8.9	9.4	9.7	9.7
RoE	14.5	11.6	10.7	6.8	3.2	7.2	10.3	12.4
Core RoE	17.2	13.4	12.1	7.6	3.6	7.9	11.1	13.2

Financials and valuations

Income statement								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	490.9	527.4	541.6	549.7	634.0	748.0	831.4	914.0
Interest Expended	300.5	315.2	324.2	319.4	363.9	415.3	454.9	489.3
Net Interest Income	190.4	212.2	217.4	230.3	270.1	332.7	376.6	424.7
Growth (%)	15.6	11.5	2.4	5.9	17.3	23.1	13.2	12.8
Other Income	121.8	153.2	195.0	174.2	145.1	164.5	174.4	195.3
Total Income	312.2	365.5	412.4	404.5	415.3	497.2	550.9	619.9
Growth (%)	16.0	17.1	12.8	-1.9	2.7	19.7	10.8	12.5
Operating Exp.	115.0	126.8	147.6	157.0	180.9	216.1	238.3	272.5
Operating Profits	197.2	238.6	264.9	247.4	234.4	281.0	312.6	347.4
Growth (%)	18.8	21.0	11.0	-6.6	-5.3	19.9	11.3	11.1
Core PPP	181.7	200.7	178.6	189.5	221.0	264.9	295.0	328.0
Growth (%)	14.8	10.4	-11.0	6.1	16.6	19.9	11.3	11.2
Provisions & Cont.	39.0	116.7	152.1	173.1	196.6	140.5	151.8	132.2
PBT	158.2	122.0	112.8	74.3	37.8	140.5	160.9	215.2
Tax	46.5	24.7	14.8	6.6	4.1	61.2	38.6	51.6
Tax Rate (%)	29.4	20.2	13.1	8.8	10.9	43.5	24.0	24.0
PAT	111.8	97.3	98.0	67.8	33.6	79.3	122.2	163.5
Growth (%)	13.9	-13.0	0.8	-30.9	-50.4	135.8	54.1	33.8

Balance sheet								
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	12.8	12.8	12.8	12.9	12.9	12.9	12.9	12.9
Reserves & Surplus	791.5	884.6	979.0	1,038.7	1,070.8	1,152.1	1,263.7	1,413.1
Net Worth	807.8	900.9	995.3	1,051.6	1,083.7	1,165.0	1,276.6	1,426.0
Deposits	3,615.6	4,214.3	4,900.4	5,609.8	6,529.2	7,709.7	8,866.1	10,462.0
Growth (%)	8.9	16.6	16.3	14.5	16.4	18.1	15.0	18.0
Of which CASA Deposits	1,643.8	1,931.0	2,468.2	2,899.3	3,239.4	3,478.2	4,025.2	4,833.5
Growth (%)	15.5	17.5	27.8	17.5	11.7	7.4	15.7	20.1
Borrowings	1,720.7	1,744.6	1,472.1	1,828.6	1,653.2	1,629.0	1,268.9	1,119.1
Other Liabilities & Prov.	317.2	347.3	350.1	302.0	378.5	479.9	590.3	720.2
Total Liabilities	6,461.3	7,207.0	7,717.9	8,791.9	9,644.6	10,983.7	12,002.0	13,727.4
Current Assets	423.0	598.7	757.1	841.7	803.0	1,191.6	1,189.5	1,100.6
Investments	1,581.3	1,604.1	1,615.1	2,029.9	2,077.3	2,495.3	2,894.6	3,386.6
Growth (%)	-10.7	1.4	0.7	25.7	2.3	20.1	16.0	17.0
Loans	3,875.2	4,352.6	4,642.3	5,124.0	5,866.5	6,452.9	7,098.2	8,021.0
Growth (%)	14.4	12.3	6.7	10.4	14.5	10.0	10.0	13.0
Net Fixed Assets	47.3	75.8	78.1	79.0	79.3	84.1	90.8	99.0
Other Assets	534.5	575.7	625.3	717.3	818.5	759.8	728.9	1,120.2
Total Assets	6,461.3	7,207.0	7,717.9	8,791.9	9,644.6	10,983.7	12,002.0	13,727.4

Asset Quality								
GNPA	150.9	262.2	425.5	540.6	462.9	414.1	488.2	474.8
NNPA	62.6	129.6	256.1	278.9	135.8	101.1	128.8	108.3
GNPA Ratio (%)	3.8	5.8	8.8	10.0	7.5	6.1	6.5	5.7
NNPA Ratio (%)	1.6	3.0	5.4	5.4	2.3	1.6	1.8	1.4
Slippage Ratio (%)	2.4	4.3	8.0	6.1	2.0	2.4	3.6	2.6
Credit Cost (%)	0.9	1.8	3.3	2.9	3.1	2.3	2.2	1.7
PCR (Excl. Technical write off) (%)	58.6	50.6	39.8	48.4	70.7	75.6	73.6	77.2

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Yield and Cost Ratios (%)								
Avg. Yield - Earning Assets	8.9	8.9	8.3	7.7	7.9	8.2	8.1	8.0
Avg. Yield on loans	9.8	9.5	8.8	8.4	8.7	9.3	9.1	9.0
Avg. Yield on Investments	6.3	6.7	7.1	6.3	6.2	6.4	6.4	6.3
Avg. Cost-Int. Bear. Liabilities	5.9	5.6	5.3	4.6	4.7	4.7	4.7	4.5
Avg. Cost of Deposits	5.9	5.5	5.0	4.5	4.4	4.6	4.5	4.4
Interest Spread	3.5	3.6	3.4	3.0	3.3	3.5	3.4	3.5
Net Interest Margin	3.5	3.6	3.3	3.2	3.4	3.7	3.7	3.7

Capitalization Ratios (%)

CAR	17.0	16.6	17.4	17.9	16.9	16.1	15.8	15.3
<i>Tier I</i>	12.8	13.1	14.4	15.6	15.1	14.7	14.5	14.2
<i>Tier II</i>	4.2	3.6	3.0	2.3	1.8	1.4	1.3	1.1

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	107.2	103.3	94.7	91.3	89.8	83.7	80.1	76.7
CASA Ratio %	45.5	45.8	50.4	51.7	49.6	45.1	45.4	46.2
Cost/Assets	1.8	1.8	1.9	1.8	1.9	2.0	2.0	2.0
Cost/Total Income	36.8	34.7	35.8	38.8	43.6	43.5	43.3	44.0
Cost/Core Income	38.7	38.7	45.2	45.3	45.0	44.9	44.7	45.4
Int. Expended/Int. Earned	61.2	59.8	59.9	58.1	57.4	55.5	54.7	53.5
Other Inc./Net Income	39.0	41.9	47.3	43.1	34.9	33.1	31.6	31.5
Emp. Cost/Op. Exp.	41.3	39.4	38.9	37.7	37.6	38.3	39.2	39.4

Valuation

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
RoE (%)	14.5	11.6	10.7	6.8	3.2	7.2	10.3	12.4
Core RoE (%)	17.2	13.4	12.1	7.6	3.6	7.9	11.1	13.2
RoA (%)	1.8	1.4	1.3	0.8	0.4	0.8	1.1	1.3
RoRWA (%)	2.1	1.7	1.6	1.1	0.5	1.1	1.5	1.8
Standalone ABV	111.3	117.1	120.2	115.3	135.5	152.1	167.0	193.0
ABV Growth (%)	10.0	5.2	2.7	-4.0	17.5	12.2	9.8	15.5
Adjusted Price-ABV (x)	2.1	2.0	2.0	2.0	1.7	1.5	1.4	1.2
Consol. Book Value (INR)	146.1	161.8	179.6	172.1	177.2	191.3	211.0	234.4
BV Growth (%)	10.4	10.8	11.0	-4.2	3.0	7.9	10.3	11.1
Price-Consol. BV (x)	2.3	2.1	1.9	2.0	1.9	1.8	1.6	1.4
EPS (INR)	19.3	16.7	16.8	11.1	5.2	12.3	18.9	25.3
EPS Growth (%)	13.6	-13.3	0.5	-34.3	-52.8	135.0	53.8	33.8
Adj. Price-Earnings (x)	12.2	14.1	14.0	21.3	45.1	19.2	12.5	9.3
Dividend Per Share (INR)	4.5	4.5	4.0	2.3	1.5	0.0	1.6	2.2
Dividend Yield (%)	1.3	1.3	1.2	0.7	0.4	0.0	0.5	0.6

NOTES

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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

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