

Estimate change



TP change



Rating change



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Bloomberg	ICICIB38
Equity Shares (m)	6,474
M.Cap.(INRb)/(USDb)	2472.9 / 34
52-Week Range (INR)	552 / 269
1, 6, 12 Rel. Per (%)	0/-20/-7
12M Avg Val (INR M)	13344

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	332.7	376.2	435.1
OP	281.0	357.1	361.0
NP	79.3	104.1	157.4
NIM (%)	3.7	3.6	3.6
EPS (INR)	12.3	16.1	24.3
EPS Gr (%)	135.0	31.0	51.2
ABV/Sh (INR)	151.3	160.4	183.0
Cons. BV/Sh (INR)	189.9	209.7	233.2

Ratios

RoE (%)	7.3	8.8	12.1
RoA (%)	0.8	0.9	1.2

Valuations

P/BV (x) (Cons)	2.0	1.8	1.6
P/ABV (x)	1.6	1.5	1.3
P/E (x)	20.0	15.3	10.1

*Adjusted for Investment in Subs

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	0.0	0.0	0.0
DII	37.8	36.4	34.8
FII	53.4	54.5	56.8
Others	8.9	9.1	8.4

FII Includes depository receipts

CMP: INR382
TP: INR475 (+24%)
Buy

Steady operating performance; Provisioning prudent

Moratorium book declines; Remain watchful of progress in near term

- ICICI Bank's (ICICIB38) 1QFY21 results were in line. The bank prudently used higher treasury/stake sale gains for higher provisions. This led the COVID-19 related provision buffer to 1.3% of loans. Also, provision coverage strengthened further to ~79%.
- Core operating performance (excluding treasury/stake sale gains) was strong, led by robust NII growth and controlled operating expenses. Moratorium book declined to 17.5% of loans while another ~2% of loans (outside moratorium) were overdue on their Jun'20 EMI. Maintain **Buy**.

Treasury gains prudently deployed to strengthen COVID provisioning

- PAT grew 36% YoY to INR26b (in-line), despite higher provisions. The bank prudently made provisions of INR55.5b due to COVID-19 (v/s INR27.25b in 4QFY20), taking the total COVID-19 provisions to INR82.8b.
- NII grew 20% YoY (4% QoQ) to INR92.8b. Margins dropped 18bp QoQ to ~3.7%, impacted by high liquidity and slowdown in credit demand.
- Other income increased 79% YoY to INR61.4b, supported by gains from the stake sale (INR30.36b) and treasury (INR7.3b). Core fee income declined 31% YoY, impacted by lower business volumes. Opex decreased 5% YoY (20% QoQ) to INR46.4b, resulting in 71% YoY PPOp growth (9% beat). Core PPOp was up 15% YoY (18% YoY adj. for interest on income-tax refunds).
- Advances grew 6.5% YoY (~2% QoQ) with domestic book growing 9.6% YoY (~11% YoY growth in retail), while overseas loan mix declined 7.5% YoY (8.4% in FY20). Deposit growth was robust at 21% YoY, led by term deposits that grew ~27% YoY. Average CASA mix stood at 41.0%.
- Fresh slippages came in at INR11.6b, which includes retail slippages of INR6b, led by 'Kisan Credit Card' portfolio (INR4.5b). Overall, GNPA/NNPA ratio improved by 7bp/18bp QoQ to ~5.5%/1.2%, while PCR improved to 78.5%. BB & below portfolio increased to INR171b (v/s INR167b in FY20).
- **Moratorium update:** It has declined to 17.5% of loans (v/s 30% in Apr'20) – and another 2% of loans – customers that have not 'opted in' for moratorium and did not pay Jun'20 EMI as well.

Highlights from management commentary

- About 90% of portfolio that have availed moratorium at end-Jun'20 comprise loans, which were under Moratorium 1.0. Higher moratorium was availed in builder, CV and dealer funding portfolio.
- Passenger vehicles are showing faster recovery trends and have reached ~65% of pre-COVID levels.
- **Unsecured portfolio:** 97% of customers that have availed moratorium are receiving full salary credits.

Valuation and view

ICICIB has reported a steady quarter amidst a tough macro environment. Earnings were in line despite the bank prudently making higher provisions toward COVID-19. Overall, the moratorium book has declined, but it is still higher v/s peers. The bank has built relatively higher provisioning buffer at 1.3% of loans to endure the COVID crisis. BB and below pool is likely to increase as effects of the pandemic plays out and the moratorium period ends. On the other hand, deposit growth remains strong with cost of deposits declining to 4.5% – the lowest amongst private players, which provides ICICIB a structural competitive advantage. We expect credit cost to remain elevated at 3.2%/2.0% for FY21/FY22E. **Maintain Buy** with an unchanged SOTP-based target price of INR475 (1.9x FY22E ABV for the bank).

Quarterly performance**(INRb)**

	FY20				FY21E				FY20	FY21E	FY21	v/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
Net Interest Income	77.4	80.6	85.5	89.3	92.8	92.5	94.4	96.4	332.7	376.2	87.2	6%
% Change (YoY)	26.8	25.6	24.3	17.1	19.9	14.8	10.5	8.0	23.1	13.1	12.7	
Other Income	34.3	41.9	45.7	42.5	61.4	45.8	47.9	58.7	164.5	213.8	68.8	-11%
Total Income	111.6	122.5	131.2	131.8	154.2	138.3	142.3	155.2	497.2	590.0	156.0	-1%
Operating Expenses	48.7	53.8	55.7	57.9	46.5	57.1	58.7	70.7	216.1	232.9	57.5	-19%
Operating Profit	62.9	68.7	75.5	73.9	107.8	81.2	83.6	84.5	281.0	357.1	98.5	9%
% Change (YoY)	8.3	30.9	22.8	18.6	71.4	18.2	10.8	14.3	19.9	27.1	56.6	
Provisions	35.0	25.1	20.8	59.7	75.9	48.4	50.6	45.1	140.5	220.1	63.5	20%
Profit before Tax	27.9	43.7	54.7	14.2	31.8	32.8	33.0	39.4	140.5	137.0	35.0	-9%
Tax	8.8	37.1	13.2	2.0	5.8	8.2	8.3	10.6	61.2	32.9	8.4	-31%
Net Profit	19.1	6.5	41.5	12.2	26.0	24.6	24.8	28.8	79.3	104.1	26.6	-2%
% Change (YoY)	NM	-27.9	158.4	26.0	36.2	275.8	-40.3	135.6	135.8	31.3	39.4	
Operating Parameters												
Deposit	6,607	6,963	7,163	7,710	8,016	8,352	8,611	9,020	7,710	9,020	7,918	1%
Loan	5,924	6,134	6,357	6,453	6,312	6,530	6,755	7,001	6,453	7,001	6,569	-4%
Deposit Growth (%)	20.8	24.6	18.1	18.1	21.3	20.0	20.2	17.0	18.1	17.0	19.8	149
Loan Growth (%)	14.7	12.6	12.6	10.0	6.5	6.5	6.3	8.5	10.0	8.5	10.9	(434)
Asset Quality												
Gross NPA (%)	7.3	7.0	6.5	6.1	5.5	6.2	6.5	7.1	6.1	7.1	6.2	(70)
Net NPA (%)	1.8	1.6	1.5	1.4	1.2	1.5	1.8	2.2	1.4	2.2	1.4	(19)
PCR (%)	74.1	76.1	76.1	75.6	78.5	77.0	74.0	70.0	75.7	70.0	78.0	52

E:MOFSL Estimates

Quarterly snapshot

Profit and Loss (INRb)	FY19				FY20				FY21	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Interest Income	147.2	151.1	162.8	172.9	179.8	185.7	190.6	191.9	199.2	11	4
Loans	109.8	115.1	125.2	129.3	136.2	143.0	148.0	148.4	145.8	7	-2
Investment	31.4	30.9	32.4	33.4	36.5	37.3	36.8	36.2	41.9	15	16
Others	6.0	5.1	5.2	10.3	7.2	5.4	5.9	7.3	11.6	61	58
Interest Expenses	86.2	86.9	94.1	96.7	102.4	105.1	105.2	102.6	106.4	4	4
Net Interest Income	61.0	64.2	68.8	76.2	77.4	80.6	85.5	89.3	92.8	20	4
Other Income	38.5	31.6	38.8	36.2	34.3	41.9	45.7	42.5	61.4	79	44
Trading profits	7.7	-0.4	4.8	1.6	1.8	3.4	5.3	2.4	37.6	2,002	1,455
Fee Income	27.5	30.0	30.6	31.8	30.4	34.8	36.0	36.0	21.0	-31	-42
Others	3.3	2.0	3.4	2.9	2.1	3.8	4.5	4.1	2.8	33	-34
Total Income	99.5	95.7	107.6	112.4	111.6	122.5	131.2	131.8	154.2	38	17
Operating Expenses	41.5	43.2	46.1	50.1	48.7	53.8	55.7	57.9	46.5	-5	-20
Employee	15.1	16.6	17.3	19.0	19.5	21.4	19.4	22.3	21.7	11	-3
Others	26.3	26.6	28.8	31.1	29.2	32.4	36.3	35.6	24.8	-15	-30
Operating Profits	58.1	52.5	61.5	62.3	62.9	68.7	75.5	73.9	107.8	71	46
Core Operating Profits	50.4	52.8	56.7	60.8	61.1	65.3	70.2	71.5	70.1	15	-2
Provisions	59.7	39.9	42.4	54.5	35.0	25.1	20.8	59.7	75.9	117	27
PBT	-1.6	12.6	19.0	7.8	27.9	43.7	54.7	14.2	31.8	14	124
Taxes	-0.4	3.5	3.0	-1.9	8.8	37.1	13.2	2.0	5.8	-34	190
PAT	-1.2	9.1	16.0	9.7	19.1	6.5	41.5	12.2	26.0	36	113
Balance Sheet (INR b)											
Loans	5,163	5,445	5,643	5,866	5,924	6,134	6,357	6,453	6,312	7	-2
Investments	1,864	1,875	1,977	2,077	2,200	2,234	2,275	2,495	3,019	37	21
Deposits	5,469	5,587	6,068	6,529	6,607	6,963	7,163	7,710	8,016	21	4
Borrowings	1,620	1,747	1,643	1,653	1,567	1,510	1,374	1,629	1,649	5	1
Total Assets	8,451	8,743	9,124	9,645	9,638	9,970	10,071	10,984	11,386	18	4
Asset Quality (INR b)											
GNPA	534.6	544.9	515.9	462.9	457.6	456.4	434.5	414.1	403.9	-12	-2
NNPA	241.7	220.9	162.5	135.8	118.6	109.2	103.9	101.1	86.7	-27	-14
Deposits Break Up											
CASA Deposits	2,763	2,835	2,994	3,239	2,989	3,250	3,364	3,478	3,406	14	-2
% of total Deposits	51	51	49	50	45	47	47	45	42		
Savings	1,996	2,075	2,108	2,277	2,185	2,306	2,354	2,456	2,448	12	0
% of total Deposits	36	37	35	35	33	33	33	32	31		
Current	767	761	886	963	804	944	1,010	1,022	958	19	-6
% of total Deposits	14	14	15	15	12	14	14	13	12		
Term Deposits	2,706	2,751	3,074	3,290	3,619	3,713	3,799	4,232	4,610	27	9
% of total Deposits	49	49	51	50	55	53	53	55	58		
Loan Break Up											
Agriculture											
SME Loans	239	147	162	179	177	191	216	226	208	18	-8
Corporate Loans	1,309	1,490	1,477	1,529	1,515	1,533	1,595	1,607	1,591	5	-1
Retail Loans	2,970	3,118	3,332	3,528	3,636	3,810	3,979	4,078	4,046	11	-1
<i>of which</i>											
- Housing	1,545	1,609	1,713	1,782	1,840	1,909	1,966	2,002	2,011	9	0
- Personal Loans	223	249	277	310	345	377	422	453	441	28	-3
- Credit Cards	104	106	113	123	138	149	163	155	146	5	-6
- Others	1,099	1,154	1,230	1,313	1,313	1,375	1,429	1,468	1,448	10	-1
International Loans	644	691	672	630	596	600	566	542	473	-21	-13
Loan Mix (%)											
SME Loans	4.6	2.7	2.9	3.1	3.0	3.1	3.4	3.5	3.3	31	-20
Corporate Loans	25.4	27.4	26.2	26.1	25.6	25.0	25.1	24.9	25.2	-37	30
Retails	57.5	57.3	59.0	60.1	61.4	62.1	62.6	63.2	64.1	272	90
International Loans	12.5	12.7	11.9	10.7	10.1	9.8	8.9	8.4	7.5	-257	-90

Quarterly snapshot contd.

Ratios	FY19				FY20				FY21	Change (bps)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Asset Quality Ratios (%)											
GNPA	8.8	8.5	7.8	6.7	6.5	6.4	6.0	5.5	5.5	-103	-7
NNPA	4.2	3.7	2.6	2.1	1.8	1.6	1.5	1.4	1.2	-54	-18
PCR (Calculated)	54.8	59.5	68.5	70.7	74.1	76.1	76.1	75.6	78.5	443	294
Credit Cost	4.6	3.0	3.1	3.8	2.4	1.7	1.3	3.7	4.8	239	103
Business Ratios (%)											
Fees to Total Income	27.7	31.3	28.5	28.3	27.2	28.4	27.4	27.3	13.6	-1,358	-1,365
Cost to Core Income	45.1	45.0	44.9	45.2	44.4	45.1	44.3	44.8	39.8	-453	-491
Tax Rate	26.6	27.6	15.6	-23.9	31.7	85.0	24.1	14.1	18.3	-1,335	418
CASA	50.5	50.8	49.3	49.6	45.2	46.7	47.0	45.1	42.5	-270	-260
Dom. Loan/Deposit (Rep)	82.6	85.1	81.9	80.2	80.6	79.5	80.8	76.7	72.8	-780	-383
Loan / Deposit	94.4	97.5	93.0	89.8	89.7	88.1	88.7	83.7	78.7	-1,092	-496
Profitability Ratios (%)											
Yield on loans	8.7	8.8	9.0	9.3	9.4	9.5	9.5	9.4	9.3	-6	-11
Yield On Investments	6.4	6.6	6.7	6.6	6.8	6.7	6.5	6.1	6.1	-74	0
Yield on Funds	7.7	7.9	8.1	8.5	8.4	8.4	8.4	8.3	7.9	-47	-39
Cost of funds	5.0	5.0	5.1	5.2	5.2	5.2	5.1	4.9	4.6	-62	-31
Margins	3.2	3.3	3.4	3.7	3.6	3.6	3.8	3.9	3.7	8	-18
RoA (cal)	-0.1	0.4	0.7	0.4	0.8	0.3	1.7	0.5	1.0	14	46
RoE (Cal)	0.0	3.4	6.0	3.6	7.0	2.4	14.6	4.2	8.9	190	470
Other Details											
Branches	4,867	4,867	4,867	4,874	4,882	5,228	5,275	5,324	5,324	442	0
ATM	14,394	14,417	14,944	14,987	15,101	15,159	15,589	15,688	15,661	560	-27



Highlights from management commentary

Moratorium update

- The proportion of loans that have availed moratorium has declined to ~17.5% as at Jun'20 (v/s 30% as at Apr'20). Further, another ~2% of loans (not explicitly opted for the moratorium), have not paid Jun'20 EMIs. Thus, the proportion of moratorium could increase to ~20%.
- ~90% of the moratorium as at end-Jun'20 comprise loans that were under moratorium as at end-Apr'20.
- Builder loans, commercial vehicle and dealer funding have relatively higher proportion of moratorium.
- Builder loans and CV portfolio was already witnessing some challenges from pre-COVID times, and thus, the proportion of moratorium has been higher.

Balance sheet related

- Customer footfall has started improving from Jun'20. Some high frequency indicators such as toll collections, GST collection, tractor sales, sale of fertilizers, etc. have also improved in Jun'20.
- Retail portfolio is largely secured and is well priced.
- The bank has crossed ~1m users on Whatsapp banking platform.
- The bank has extended loans under the Credit Guarantee scheme with sanctions of INR50b (~19k customers), of which, INR38b has been disbursed.
- The bank has further reduced its international book, which includes 40% decline in non-India linked businesses.
- The bank does not have any loan growth targets and expects some incremental opportunity on the corporate side (preferably short-term lending). The bank expects some pick-up in the retail segment, while rural growth has picked up well.
- Deposit growth has been strong despite pruning of TD & SA rates.

Business segments

- **Retail loans:** Focus remains on existing customer base to cross-sell products. Incremental sourcing during the quarter was largely toward existing customers.
- **Home loans:** 70% of mortgage loans are to customers having existing liability relationship with the bank; Avg. LTV of 65%; LAP has an avg. LTV of 55%.
- **Commercial CV:** Utilization rate has started improving in Jun'20; Top-20 customers contribute 3% to the portfolio.
- **Auto loans:** Passenger vehicle is showing faster recovery; disbursement has reached 65% of pre-COVID levels.
- **Credit Cards and Personal Loans:** 85% is toward salaried customers. Of this, 75% is with well-rated entities (MNC and government entities). 70% is toward existing customer. 97% customers that have availed the moratorium are receiving salary credits.
- **Rural Portfolio:** Gold loans/Kisan Credit Card comprises 3% each of the total portfolio. Gold loans grew 32% YoY.
- **Business Banking:** Avg. ticket size stands at INR15m. ~85% of the portfolio has a collateral cover of more than 100%.
- **SME portfolio:** Focus remains on granularity and higher collateral cover. Disbursements were made through program-based lending.
- **Builder portfolio:** Real estate portfolio has been under stress even before COVID-19 pandemic due to funding issues, low sales volume and cash flow constraints. The bank's portfolio is quite granular with large exposure toward well established builders. ~12% of the builder portfolio is classified as unrated.

Operating metrics

- Significant decline in fee income was due to lower business volumes and slowdown in customer activity affected by the lockdown.
- On the cost front, the bank will continue to spend on technology at a reasonable level. Increased employee expenses were largely due to retiral provisions. Overall, the bank expects cost to pick up as loan volumes bounce back.
- Margins declined during the quarter, largely due to surplus liquidity. However, it expects margins to remain stable in the coming quarters as excess liquidity is deployed toward loan growth.

Asset Quality

- The bank carried additional provisions of ~INR144b (2.3% of loans), which is not part of the PCR (includes COVID provisions of INR82.75b). Thus, this cushioned the balance sheet from impact of the COVID-19 pandemic.
- The bank has not sold any NPA during the quarter.
- Increase in the BB & below book includes downgrades of INR14.7b.
- Other than the three accounts (Telecom, Power and Construction), the maximum exposure to the BB and below portfolio is less than INR6b.

Capital Raise

- Proposed capital raise of INR150b would be utilized to further strengthen capital ratios and improve competitive positioning.

Key Exhibits

Exhibit 1: Net stressed loans decline to 3.3% of total loans

INR b	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
GNPA	535	545	516	463	458	456	435	414	404
Security Receipts	34	34	33	33	33	33	21	19	19
Others	84	73	-	-	-	-	-	-	0
BB and below (Fund based)	199	171	137	116	101	109	122	102	107
Stress loans	852	823	686	611	591	598	577	536	530
Less: Overlap	85	73	4	4	2	2	2	2	2
Gross stress loans	767	750	682	608	590	596	575	534	528
Specific Provisions	293	324	353	327	339	347	331	313	317
Net Stress loans	475	426	329	281	250	249	244	221	211
Gross stress loans (% of advances)	14.9	13.8	12.1	10.4	10.0	9.7	9.0	8.3	8.4
Net Stress Loans (% of advances)	9.2	7.8	5.8	4.8	4.2	4.1	3.8	3.4	3.3

Exhibit 2: A snapshot of subsidiaries' performance

Subs PAT (INR m)	FY19				FY20				FY21	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
I Sec	1,340	1,340	1,010	1,220	1,140	1,350	1,370	1,560	1,930	69	24
I Sec PD	-330	-430	1,190	240	690	1,400	970	260	3,460	401	1,231
I Venture	30	-40	20	690	220	-40	30	-70	260	18	-471
Pru AMC	760	1,960	1,960	2,170	2,190	3,050	3,050	2,170	2,570	17	18
ICICI Home Finance	230	110	90	-30	-60	-610	30	640	10	-117	-98
ICIC Life Insurance	2,820	3,010	2,970	2,610	2,850	3,020	3,020	1,790	2,880	1	61
ICICI Gen. Insurance	2,890	2,930	2,390	2,280	3,100	3,080	2,940	2,820	3,980	28	41
Consol. adjustment	-6,494	-5,919	-6,939	-7,171	-4,070	-6,490	-6,175	-8,874	-9,902	143	12
Subsidiaries PAT	1,246	2,961	2,691	2,009	6,060	4,760	5,235	296	5,188	-14	1,651
ICICI Bank	-1,196	9,089	16,049	9,691	19,080	6,550	41,465	12,214	25,992	36	113
Consol Profit	50	12,050	18,740	11,700	25,140	11,310	46,700	12,510	31,180	24	149

Deposits growth was led by ~27% YoY/~9% QoQ growth in term deposits.

Deposits growth led by term deposits; Margins contract 18bp QoQ

- Deposits grew 21%/4% YoY/QoQ to INR8.0t, led by healthy growth in term deposits, which grew ~27%/~9% YoY/QoQ. CASA deposits grew ~14% YoY (2% QoQ decline). CASA mix declined 260bp QoQ to 42.5% v/s 45.1% in 4QFY20 (130bp decline on an average basis).
- NIMs contracted 18bp QoQ to 3.69%, led by moderation in cost of deposits, which stood at 4.5% (25bp QoQ). Domestic margin declined 23bp QoQ to 3.91% (v/s 4.14% in 4QFY20) while overseas NIMs improved to 0.33% (v/s 0.28% in 4QFY20).

Domestic loan growth came in at ~10% YoY, led by ~11% growth in retail book, which now forms 64.1% of total loans.

Loan growth moderated impacted by COVID-19; Retail loans grew 11% YoY

- Overall loan growth moderated to ~6.5% YoY (2% QoQ decline) to INR6.3t, which was driven by 11% YoY growth in retail loans. Domestic loans grew ~10% YoY while international loans were down ~21% YoY. Proportion of international loans (in overall loans) further declined to 7.5% (v/s 8.4% in 4QFY20).
- Retail loans grew ~11% YoY, within which, home loans grew ~9% YoY. Personal loans grew ~28% YoY while business banking grew ~34% YoY. Credit cards' book growth moderated to ~5% YoY while vehicle loan growth moderated to 2.6% YoY. All segments witnessed sequential decline, barring home loans (flat) with credit cards' book declining 6% QoQ. Personal loans declined 2.6% and vehicle loans dropped 1.5% YoY.
- SME loans grew 18% YoY (8% QoQ decline) and formed 3.3% of total loans.

- Overall corporate loans declined 21% YoY (13% QoQ decline) while performing domestic corporate loans grew 7.8% YoY.

BB & Below pool (incl. non-fund based) increased marginally to 2.7% of total loans; PCR increased to 78.5%

Quantum of BB and below exposure increased to INR171.1b (2.7% of loans).

- Total slippages were lower at INR11.6b due to dispensation provided by the RBI. Retail slippages came in at INR6.0b while corporate/SME slippages came in at INR5.6b.
- Absolute GNPA declined 2.5% QoQ to INR403.9b at 5.46% (7bp QoQ decline) of customer assets, while NNPA declined 14.2% QoQ to INR86.7b at 1.23% (-18bp QoQ) of customer assets. Calculated PCR increased ~290bp QoQ to 78.5%.
- In addition to the reported PCR, the bank is carrying an additional provision of INR143.7b (2.3% of loans), of which INR82.8b is toward COVID-19, while INR13.98b is toward non-fund based o/s to NPAs. INR41.85b is general provision on standard assets while other provision of INR5.1 is on standard assets.
- BB and below book increased 3% QoQ to INR171.1b (2.7% of loans) v/s INR166.7b (2.6% of loans) in 4QFY20. SR portfolio stood at INR18.9b.

Provision of INR13.98b 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	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	FY19	FY19	FY19	FY20	FY20	FY20	FY20	FY21
Gross restructured loans	14.4	3.9	3.5	1.5	2.2	2.0	1.8	1.7
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	48.3
Borrowers with o/s greater than INR1b	107.5	97.4	78.0	71.9	85.9	98.7	81.3	85.3
Borrowers with o/s <INR1b	64.3	51.0	49.4	43.0	38.9	34.2	32.9	35.8
BB and below outstanding	217.9	188.1	175.3	153.6	160.7	174	166.7	171.1

Of the other borrowers ~81% was rated A- and above (excluding exposure to State Electricity Boards)

Exhibit 4: Power sector exposure stands at INR355b

INRb	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	%
Gross restructured loans	112	110.4	92.2	92.3	86.8	24
Other borrowers*	279	223.7	229.9	288.0	267.6	76
Total Power sector exposure	391	334.1	322.1	380.3	354.5	100

Valuation view

- Liability franchise remains robust:** ICICIBC continues to see strong growth in retail deposits and has succeeded in building 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 mix amongst peers. ICICIBC has one of the lowest funding costs amongst private banks, which enables 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 SME/business loans, Auto, builder portfolio, *Kisan credit card* and the unsecured retail segment, etc. We expect the BB and below pool to increase in the coming quarters, and thus, slippage trends should remain elevated. Though the bank carries a COVID-19 related provision of INR82.8b, moratorium book still remains high at 17.5%. Thus, we estimate credit cost to remain elevated at 3.2% for FY21E.

- Retail fees form ~75% of the bank's fees, signifying the granularity in fee income. However, due to slowdown in consumption spending in the near term, we expect fee growth trends to remain moderate and to gradually pick up as economic activity revives.
- **Buy with a target price of INR475:** ICICIBC has reported a steady quarter amidst a tough macro environment. Earnings were in line despite the bank prudently making higher provisions toward COVID-19. Overall, the moratorium book has declined, but it is still higher v/s peers. The bank has built relatively higher provisioning buffer at 1.3% of loans to endure the COVID crisis. BB and below pool is likely to increase as effects of the pandemic plays out and the moratorium period ends. On the other hand, deposit growth remains strong with cost of deposits declining to 4.5% – the lowest amongst private players, which provides ICICIBC a structural competitive advantage. We expect credit cost to remain elevated at 3.2%/2.0% for FY21/FY22E. **Maintain Buy** with an unchanged SOTP-based target price of INR475 (1.9x FY22E ABV for the bank).

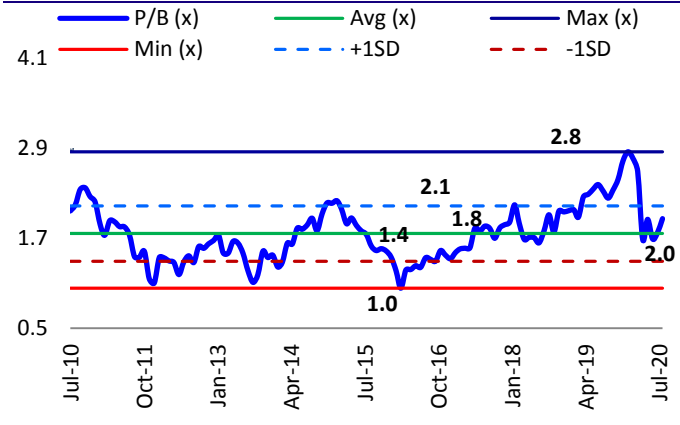
Exhibit 5: SOTP-based pricing

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	100	2,194	339	71.3	1.9x FY22E ABV
ICICI Pru Life Insurance	51	376	58	12.2	2.4x FY22 Embedded Value
ICICI Lombard Gen. Ins	52	302	47	9.8	30x FY22E PAT
ICICI Pru AMC	51	149	23	4.9	22x FY22E PAT
ICICI Securities	79	159	25	5.2	24x FY22E PAT
ICICI Bank UK	100	27	4	0.9	0.8x FY22E Net-worth
ICICI Bank Canada	100	31	5	1.0	0.8x FY22E Net-worth
Others (Ventures, Home Finance, PD)	100	58	9	1.9	10% FY22E AUM for ventures, 0.6x/1.2x FY22E Network for Home finance/PD
Total Value of Ventures		1,103	170	35.9	
Less: 20% holding Discount		221	34	7.2	
Value of Ventures (Post Hold Co. Disc)		883	136	28.7	
Target Price Post 20% Holding Co. Disc.		3,077	475		

Exhibit 6: We cut our estimates for FY21 by 7% while largely maintaining it for FY22E

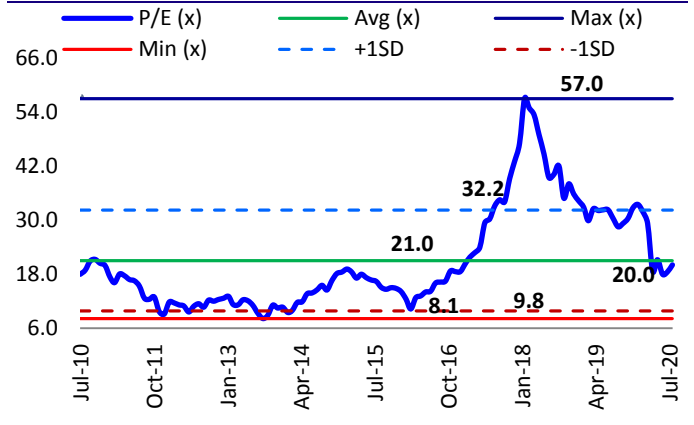
INR b	Old Est.		Revised Est.		Chg. (%) /bps	
	FY21	FY22	FY21	FY22	FY21	FY22
Net Interest Income	371.2	425.1	376.2	435.1	1.3	2.3
Other Income	208.9	192.2	213.8	186.0	2.4	-3.2
Total Income	580.1	617.3	590.0	621.1	1.7	0.6
Operating Expenses	239.6	265.9	232.9	260.1	-2.8	-2.2
Operating Profits	340.5	351.5	357.1	361.0	4.9	2.7
Provisions	192.4	147.4	220.1	153.8	14.4	4.4
PBT	148.0	204.1	137.0	207.2	-7.4	1.5
Tax	35.5	49.0	32.9	49.7	-7.4	1.5
PAT	112.5	155.1	104.1	157.4	-7.4	1.5
Loans	7,098	8,021	7,001	7,947	-1.4	-0.9
Deposits	8,866	10,285	9,020	10,644	1.7	3.5
Margins (%)	3.61	3.69	3.59	3.61	(2)	(7)
Credit Cost (%)	2.80	1.90	3.20	2.00	40	10
RoA (%)	0.97	1.20	0.89	1.18	(8)	(2)
RoE (%)	9.5	11.9	8.8	12.1	(67)	25
EPS	17.4	24.0	16.1	24.3	-7.4	1.5
BV	193.1	214.9	191.8	213.9	-0.7	-0.5
ABV	163.3	187.7	160.4	183.0	-1.8	-2.5

Exhibit 7: One-year forward P/B



Source: MOFSL, Company

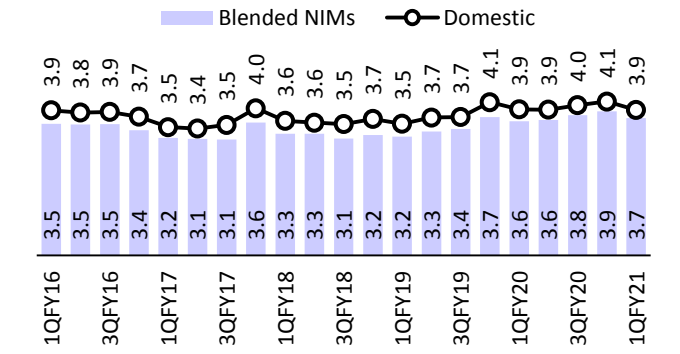
Exhibit 8: One-year forward P/E



Source: MOFSL, Company

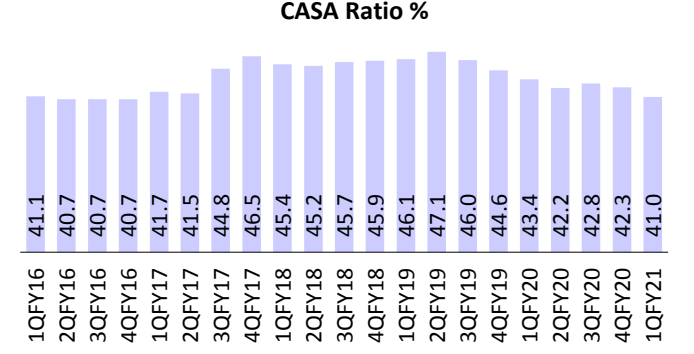
Story in Charts

Exhibit 9: Domestic NIMs declined 23bp QoQ to 3.91%



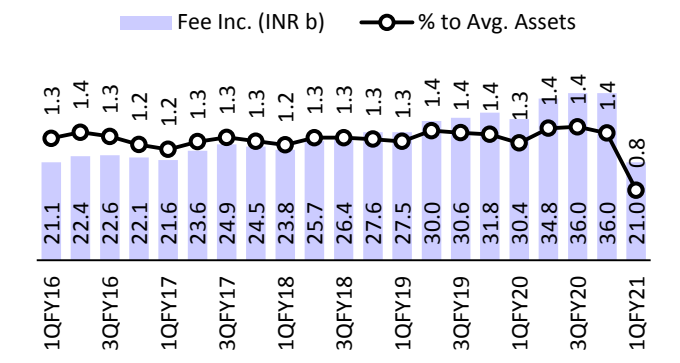
Source: MOFSL, Company

Exhibit 10: Average daily CASA ratio declined 130bp QoQ



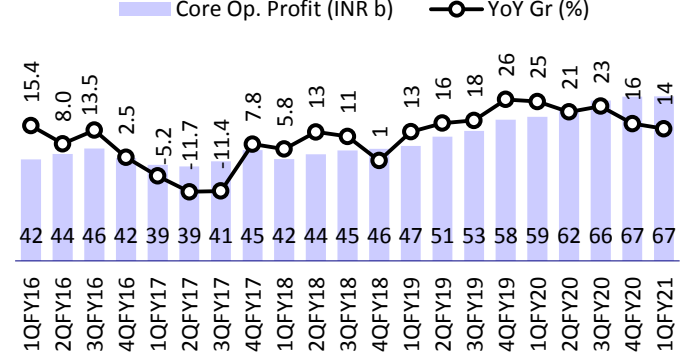
Source: MOFSL, Company

Exhibit 11: Fee income witnessed moderation due COVID-19



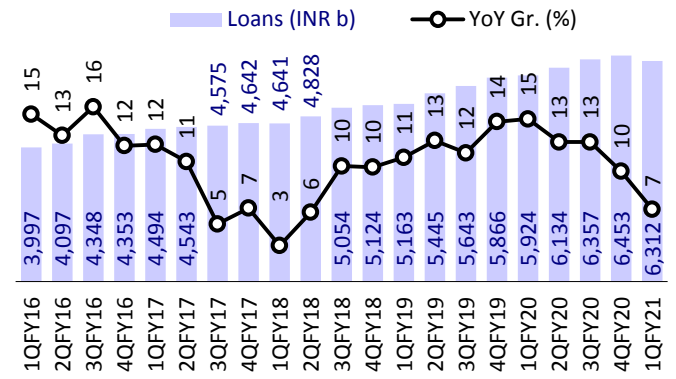
Source: MOFSL, Company

Exhibit 12: Core Op. profits grew 15% YoY



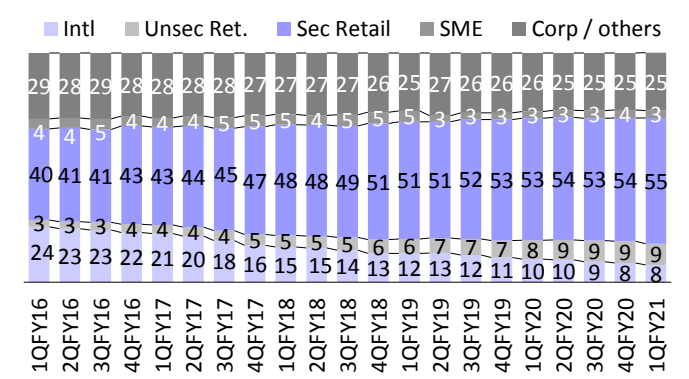
Source: MOFSL, Company

Exhibit 13: Overall loan growth moderated to 7% YoY



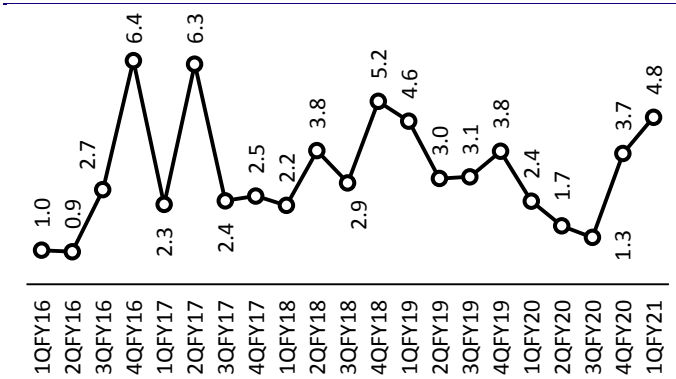
Source: MOFSL, Company

Exhibit 14: Retail loans continue to drive loan growth



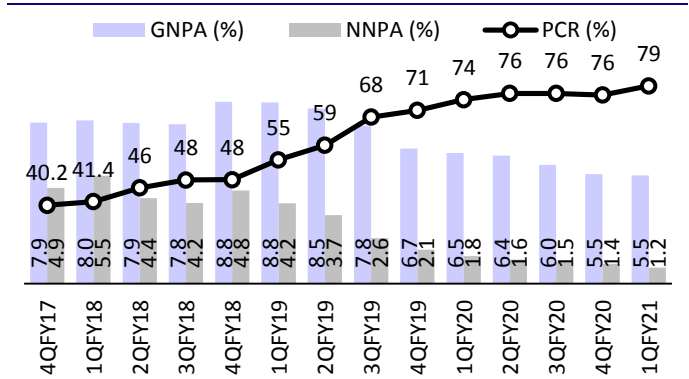
Source: MOFSL, Company

Exhibit 15: Credit cost elevated to 4.8% as bank created COVID-19 related provision



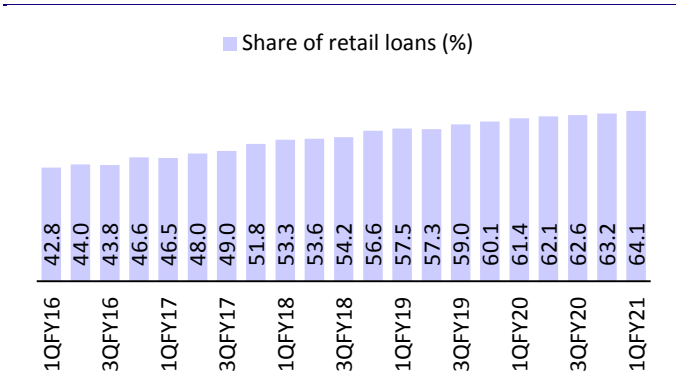
Source: MOFSL, Company

Exhibit 16: GNPA/NNPA ratio declined 7bp/18bp QoQ; PCR stood at 78.5%



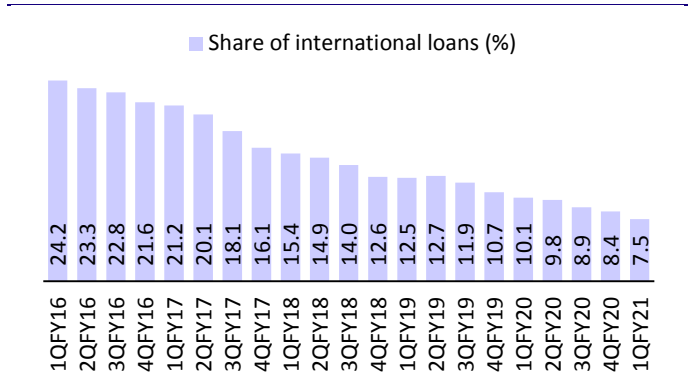
Source: MOFSL, Company

Exhibit 17: Share of retail loans in overall loans increased to 64.1% of total loans



Source: MOFSL, Company

Exhibit 18: Share of International loans in overall loans declined to 7.5% of total loans



Source: MOFSL, Company

Exhibit 19: DuPont Analysis – Return ratios 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	6.95	6.88
Interest Expense	4.84	4.61	4.34	3.87	3.95	4.03	3.74	3.62
Net Interest Income	3.07	3.11	2.91	2.79	2.93	3.23	3.21	3.26
Core Fee Income	1.56	1.56	1.54	1.32	1.26	1.28	1.27	1.47
Trading and others	0.41	0.69	1.07	0.79	0.31	0.32	0.56	-0.07
Non-Interest income	1.96	2.24	2.61	2.11	1.57	1.59	1.83	1.39
Total Income	5.03	5.35	5.53	4.90	4.50	4.82	5.04	4.65
Operating Expenses	1.85	1.86	1.98	1.90	1.96	2.10	1.99	1.95
Employee cost	0.77	0.73	0.77	0.72	0.74	0.80	0.76	0.75
Others	1.09	1.12	1.21	1.19	1.22	1.29	1.23	1.20
Operating Profits	3.18	3.49	3.55	3.00	2.54	2.72	3.05	2.70
Core operating Profits	2.77	2.80	2.48	2.21	2.23	2.41	2.49	2.78
Provisions	0.63	1.71	2.04	2.10	2.13	1.36	1.88	1.15
NPA	0.51	1.06	1.97	1.73	1.82	0.85	1.84	1.12
Others	0.12	0.65	0.07	0.37	0.31	0.51	0.04	0.03
PBT	2.55	1.78	1.51	0.90	0.41	1.36	1.17	1.55
Tax	0.75	0.36	0.20	0.08	0.04	0.59	0.28	0.37
RoA	1.80	1.42	1.31	0.82	0.36	0.77	0.89	1.18
Leverage	8.1	8.2	8.1	8.3	8.9	9.4	9.9	10.3
RoE	14.5	11.6	10.7	6.8	3.2	7.3	8.8	12.1
Core RoE	17.2	13.4	12.1	7.6	3.6	8.0	9.6	13.0

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	814.0	918.2
Interest Expended	300.5	315.2	324.2	319.4	363.9	415.3	437.9	483.1
Net Interest Income	190.4	212.2	217.4	230.3	270.1	332.7	376.2	435.1
Growth (%)	15.6	11.5	2.4	5.9	17.3	23.1	13.1	15.7
Other Income	121.8	153.2	195.0	174.2	145.1	164.5	213.8	186.0
Total Income	312.2	365.5	412.4	404.5	415.3	497.2	590.0	621.1
Growth (%)	16.0	17.1	12.8	-1.9	2.7	19.7	18.7	5.3
Operating Exp.	115.0	126.8	147.6	157.0	180.9	216.1	232.9	260.1
Operating Profits	197.2	238.6	264.9	247.4	234.4	281.0	357.1	361.0
Growth (%)	18.8	21.0	11.0	-6.6	-5.3	19.9	27.1	1.1
Core PPP	181.7	200.7	178.6	189.5	221.0	264.6	339.1	341.1
Growth (%)	14.8	10.4	-11.0	6.1	16.6	19.7	28.1	0.6
Provisions & Cont.	39.0	116.7	152.1	173.1	196.6	140.5	220.1	153.8
PBT	158.2	122.0	112.8	74.3	37.8	140.5	137.0	207.2
Tax	46.5	24.7	14.8	6.6	4.1	61.2	32.9	49.7
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	104.1	157.4
Growth (%)	13.9	-13.0	0.8	-30.9	-50.4	135.8	31.3	51.2
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	1,245.6	1,388.8
Net Worth	807.8	900.9	995.3	1,051.6	1,083.7	1,165.0	1,258.5	1,401.8
Deposits	3,615.6	4,214.3	4,900.4	5,609.8	6,529.2	7,709.7	9,020.3	10,644.0
Growth (%)	8.9	16.6	16.3	14.5	16.4	18.1	17.0	18.0
Of which CASA Deposits	1,643.8	1,931.0	2,468.2	2,899.3	3,239.4	3,478.2	4,095.2	4,885.6
Growth (%)	15.5	17.5	27.8	17.5	11.7	7.4	17.7	19.3
Borrowings	1,720.7	1,744.6	1,472.1	1,828.6	1,653.2	1,629.0	1,558.4	1,518.2
Other Liabilities & Prov.	317.2	347.3	350.1	302.0	378.5	479.9	590.3	696.6
Total Liabilities	6,461.3	7,207.0	7,717.9	8,791.9	9,644.6	10,983.6	12,427.6	14,260.6
Current Assets	423.0	598.7	757.1	841.7	803.0	1,191.6	1,278.4	1,261.5
Investments	1,581.3	1,604.1	1,615.1	2,029.9	2,077.3	2,495.3	3,268.9	4,118.8
Growth (%)	-10.7	1.4	0.7	25.7	2.3	20.1	31.0	26.0
Loans	3,875.2	4,352.6	4,642.3	5,124.0	5,866.5	6,452.9	7,001.4	7,946.6
Growth (%)	14.4	12.3	6.7	10.4	14.5	10.0	8.5	13.5
Net Fixed Assets	47.3	75.8	78.1	79.0	79.3	84.1	90.0	98.1
Other Assets	534.5	575.7	625.3	717.3	818.5	759.8	788.9	835.6
Total Assets	6,461.3	7,207.0	7,717.9	8,791.9	9,644.6	10,983.7	12,427.6	14,260.6
Asset Quality								
GNPA	150.9	262.2	425.5	540.6	462.9	414.5	523.4	550.2
NNPA	62.6	129.6	256.1	278.9	135.8	100.5	157.0	159.1
GNPA Ratio (%)	3.8	5.8	8.8	10.0	7.5	6.1	7.1	6.6
NNPA Ratio (%)	1.6	3.0	5.4	5.4	2.3	1.6	2.2	2.0
Slippage Ratio (%)	2.4	4.3	8.0	6.1	2.0	2.2	4.7	2.6
Credit Cost (%)	0.9	1.8	3.3	2.9	3.1	1.4	3.2	2.0
PCR (Excl. Technical write off) (%)	58.6	50.6	39.8	48.4	70.7	75.7	70.0	71.1

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	7.8	7.6
Avg. Yield on loans	9.8	9.5	8.8	8.4	8.7	9.3	9.0	8.9
Avg. Yield on Investments	6.3	6.7	7.1	6.3	6.2	6.4	6.1	6.0
Avg. Cost-Int. Bear. Liabilities	5.9	5.6	5.3	4.6	4.7	4.7	4.4	4.2
Avg. Cost of Deposits	5.9	5.5	5.0	4.5	4.4	4.6	4.2	4.1
Interest Spread	3.5	3.6	3.4	3.0	3.3	3.5	3.4	3.4
Net Interest Margin	3.5	3.6	3.3	3.2	3.4	3.7	3.6	3.6

Capitalization Ratios (%)

CAR	17.0	16.6	17.4	17.9	16.9	16.1	15.7	15.2
<i>Tier I</i>	12.8	13.1	14.4	15.6	15.1	14.7	14.3	14.0
<i>Tier II</i>	4.2	3.6	3.0	2.3	1.8	1.4	1.3	1.2

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	107.2	103.3	94.7	91.3	89.8	83.7	77.6	74.7
CASA Ratio %	45.5	45.8	50.4	51.7	49.6	45.1	45.4	45.9
Cost/Assets	1.8	1.8	1.9	1.8	1.9	2.0	1.9	1.8
Cost/Total Income	36.8	34.7	35.8	38.8	43.6	43.5	39.5	41.9
Cost/Core Income	38.7	38.7	45.2	45.3	45.0	45.0	40.7	43.3
Int. Expended/Int. Earned	61.2	59.8	59.9	58.1	57.4	55.5	53.8	52.6
Other Inc./Net Income	39.0	41.9	47.3	43.1	34.9	33.1	36.2	30.0
Emp. Cost/Op. Exp.	41.3	39.4	38.9	37.7	37.6	38.3	38.0	38.4

Valuation

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
RoE (%)	14.5	11.6	10.7	6.8	3.2	7.3	8.8	12.1
Core RoE (%)	17.2	13.4	12.1	7.6	3.6	8.0	9.6	13.0
RoA (%)	1.8	1.4	1.3	0.8	0.4	0.8	0.9	1.2
RoRWA (%)	2.1	1.7	1.6	1.1	0.5	1.0	1.2	1.6
Standalone ABV	111.3	117.1	120.2	115.3	135.5	151.3	160.4	183.0
ABV Growth (%)	10.0	5.2	2.7	-4.0	17.5	11.6	6.0	14.1
Adjusted Price-ABV (x)	2.2	2.1	2.0	2.1	1.8	1.6	1.5	1.3
Consol Book Value (INR)	146.1	161.8	179.6	172.1	177.2	189.9	209.7	233.2
BV Growth (%)	10.4	10.8	11.0	-4.2	3.0	7.2	10.4	11.2
Price-Consol BV (x)	2.6	2.4	2.1	2.2	2.2	2.0	1.8	1.6
EPS (INR)	19.3	16.7	16.8	11.1	5.2	12.3	16.1	24.3
EPS Growth (%)	13.6	-13.3	0.5	-34.3	-52.8	135.0	31.0	51.2
Adj. Price-Earnings (x)	12.7	14.7	14.6	22.2	47.0	20.0	15.3	10.1

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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