

Retail Equity Research ICICI Bank Ltd.

Banking

BSE CODE: 532174

NSE CODE: ICICIBANK

Bloomberg CODE: ICICIB:IN

SENSEX: 37,607

BUY

12M Investment period

Rating as per Large cap

CMP Rs. 347 TARGET Rs. 415 RETURN 20% ↑
(Closing: 31-07-20)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

Robust performance amidst COVID-19

ICICI Bank is India's second largest private sector bank and has a network of 5,275 branches and 15,661 ATMs across India with ~50% of branches in semi-urban and rural areas.

- In Q1FY21, Advances grew 6.5% YoY to Rs. 631,150cr, partially impacted by lockdown in April and May); Deposits grew by +21.3% YoY.
- Net interest margin contracted 18bps QoQ to 3.69% on slower growth in deposits led by subdued economy. Reported PAT was up 36.2% YoY.
- As the economy has largely opened up since June 2020, we expect double digit growth trajectory in advances along with healthy deposits.
- The bank's asset quality remains intact and digital transformation should aid growth. We reiterate our BUY rating on the stock with a revised target price of Rs. 415 based on SOTP.

Deposits grow sharply amidst the lockdown

Q1FY21 was impacted by the nation-wide lockdown which also severely obstructed economic activities. As a result, total Advances grew only by 6.5% YoY to Rs. 631,215cr (-2.2% QoQ), on the back of growth in Domestic loans, up 9.6% YoY to Rs. 584,187cr (92.5% of total advances). Within Domestic loans, SME segment grew 17.9% YoY, followed by Retail (+11.3% YoY) and Corporate segment (+4.8% YoY). Deposits witnessed robust growth of 21.3% YoY to Rs. 801,622cr (+4.0% QoQ), supported by the bank's digital platforms. Term deposits grew by 27.4% to Rs. 461,007cr and CASA deposits by 14.0% YoY to Rs. 340,616cr (CASA ratio fell 240bps YoY to 41.0%).

NIM tightens as deposits outperform advances

The asset classification standstill for the loans under moratorium led to lower additions to Gross NPA. Resultantly, Gross NPA ratio further declined to 5.46% at Q1FY21-end (vs. 5.53% at Q4FY20-end). The provision coverage ratio excluding cumulative technical write-offs expanded ~290bps QoQ to 78.6% at Q1FY21-end. The capital adequacy ratio declined marginally to 16.0% in Q1FY21 (vs. 16.1% in Q4FY20) and Tier-1 ratio stood at 14.6% (vs. 14.7% in Q4FY20), well above the minimum regulatory requirement of 9.1%. Net interest income rose 19.9% YoY to Rs. 9,280cr, however NIM tightened up 18bps QoQ to 3.69% (+8bps YoY), as deposits grew faster than advances given subdued economy. PAT rose 36.2% YoY to Rs. 2,599cr, even with increase in provisioning by 117.2% to Rs. 7,594 (non-COVID of Rs. 2,044cr).

Key concall highlights

- In Q1FY21, bank decreased interest rates on savings account and retail term deposit by 50bps each.
- Within CASA, current account deposits rose 19.8% YoY, signifying healthy growth in business customers along with growth in bank's franchise network.
- The bank has increased the provisions for COVID-19 to Rs. 5,550cr in Q1FY21 (Rs. 2,725cr in Q4FY20), to mitigate the impact of pandemic on its Balance sheet.

Outlook & Valuation

The month of April and May was severely impacted by nation-wide lockdown which also led to slower growth in advances. High provisioning owing to COVID-19 have put downward pressure on bank's bottom line. However, the bank's balance sheet remains strong and we expect growth momentum to resume from late FY21 onwards. We reiterate our BUY rating on the stock with a revised target price of Rs. 415 using sum-of-the-parts (SOTP) methodology.

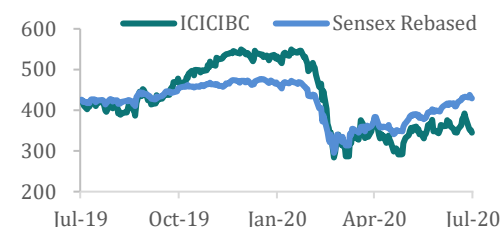
Company Data

Market Cap (cr)	Rs. 224,849
Outstanding Shares (cr)	648.0
Free Float	100.0%
Dividend Yield	0.0%
52 week high	Rs. 552
52 week low	Rs. 269
6m average volume (cr)	0.2
Beta	1.4
Face value	Rs. 2

Shareholding %	Q3FY20	Q4FY20	Q1FY21
Promoters	0.0	0.0	0.0
FIIIs	45.8	43.7	43.0
MFs/Insti	43.6	43.6	46.2
Public	7.3	7.6	7.8
Others	3.4	3.8	3.1
Total	100.0	100.0	100.0
Promoter pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-8.7%	-34.0%	-18.3%
Absolute Sensex	11.5%	-7.7%	0.3%
Relative Return*	-20.2%	-26.3%	-18.6%

*over- or underperformance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Net Interest Income	33,267	35,611	39,793
Growth (%)	23.1	7.0	11.7
NIM (%)	3.8	3.6	3.6
Pre-provision Profit	28,101	30,591	33,726
Adj. Net Profit	9,322	10,693	16,698
Growth (%)	177.2	14.7	56.2
Adj. EPS	14.2	16.3	25.4
Growth (%)	174.8	14.7	56.2
BVPS	180.7	194.6	213.7
P/E	22.9	21.3	13.6
P/B	1.8	1.8	1.6
P/ABV	1.8	1.8	1.6
ROE (%)	7.1	8.8	12.6
ROA (%)	0.8	0.9	1.2

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY21	Q1FY20	YoY Growth %	Q4FY20	QoQ Growth %
Interest Income	19,924	17,980	10.8	19,189	3.8
Interest Expense	10,645	10,243	3.9	10,262	3.7
Net Interest Income (NII)	9,280	7,737	19.9	8,927	4.0
Non-Interest Income	6,143	3,425	79.3	4,255	44.4
Total Net Income	15,422	11,163	38.2	13,182	17.0
Total Income	26,067	21,406	21.8	23,444	11.2
Operating Expenses	4,646	4,874	(4.7)	5,792	(19.8)
Total Expenditure	15,291	15,117	1.1	16,054	(4.8)
Pre-Provision profit	10,776	6,288	71.4	7,390	45.8
Provisions	7,594	3,496	117.2	5,967	27.3
Profit Before Tax	3,183	2,793	14.0	1,423	123.7
Tax	583	885	(34.1)	201	(189.8)
Net Profit	2,599	1,908	36.2	1,221	112.8
Adj.	0	0	n.m.	0	n.m.
Adj. PAT	2,599	1,908	36.2	1,221	112.8
Adj. EPS - Diluted (Rs.)	4.0	2.9	36.8	1.9	113.9

SOTP Valuation

Particulars	Basis	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
ICICI Bank	FY22E ABV	1.4x	100%	196,456	303
Life Insurance	Geojit TP		53%	38,967	60
General Insurance	Geojit TP		56%	35,543	55
Securities	FY22E EPS	16.0x	79%	7,071	11
Others	FY22E EPS	18.0x	100%	9,444	15
Total value of subsidiaries				91,025	140
(20% holding discount)				(18,205)	(28)
Total Value				269,276	415

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net Interest Income (NII)	35,550	40,046	35,611	39,793	0.2	(0.6)
Net Interest Margin (%)	3.6	3.7	3.6	3.6	(4bps)	(10bps)
Pre-Provision Profit	30,037	33,911	30,591	33,726	1.8	(0.5)
Net Profit	13,012	18,971	10,693	16,698	(17.8)	(12.0)
EPS (Rs.)	19.8	28.9	16.3	25.4	(17.8)	(12.0)

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Interest Income	54,966	63,401	74,798	81,099	90,044
Interest Expense	31,940	36,386	41,531	45,488	50,251
Net Int. Income	23,026	27,015	33,267	35,611	39,793
% Change	5.9	17.3	23.1	7.0	11.7
Non-Int. Income	17,420	14,512	16,449	17,834	19,801
Net Income	40,445	41,527	49,716	53,445	59,594
Total Income	72,386	77,913	91,247	98,933	109,845
Operating Exp.	15,704	18,089	21,614	22,853	25,869
Total Exp.	47,644	54,475	63,146	68,341	76,120
Pre-Prov. Profit	24,742	23,438	28,101	30,591	33,726
Provisions	17,307	19,661	14,053	16,302	11,411
PBT	7,435	3,777	14,048	14,290	22,314
Tax	657	413	6,117	3,597	5,617
Tax Rate (%)	8.8	10.9	43.5	25.2	25.2
Net Profit	6,777	3,363	7,931	10,693	16,698
% Change	(30.9)	(50.4)	135.8	34.8	56.2
Adj.	0	0	1,391	0	0
Adj. Net Profit	6,777	3,363	9,322	10,693	16,698
No. of Shares (cr)	642	644	646	646	646
Adj. EPS (Rs.)	10.5	5.2	14.2	16.3	25.4
% Change	(37.7)	(50.6)	174.8	14.7	56.2
DPS (Rs.)	1.5	1.0	0.0	2.8	4.3

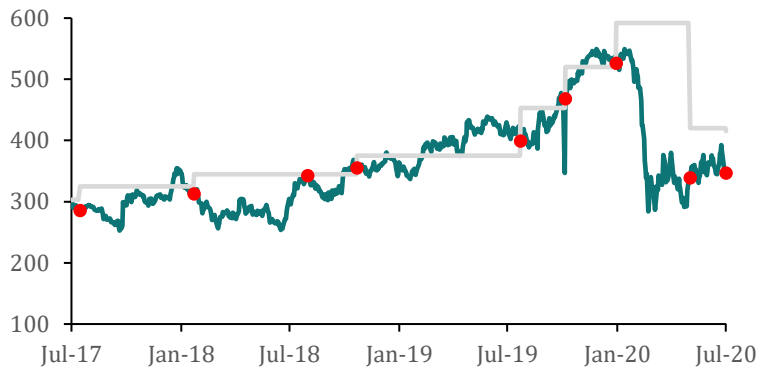
BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash & Balances	33,102	37,858	35,284	38,936	44,777
Investments	202,994	207,733	249,531	304,428	310,517
Advances	512,395	586,647	645,290	722,725	809,452
Fixed Assets	7,904	7,931	8,410	8,440	8,470
Other Assets	122,794	124,290	159,849	197,879	246,313
Total Assets	879,189	964,459	1,098,365	1,272,409	1,419,528
Capital	1,286	1,289	1,295	1,295	1,295
Reserves & Surplus	103,868	107,074	115,206	124,114	139,027
Deposits	560,975	652,920	770,969	855,776	924,238
Borrowings	182,859	165,320	162,897	171,042	187,291
Other Liabilities	30,196	37,851	47,995	120,179	167,674
Total Liabilities	879,189	964,459	1,098,365	1,272,409	1,419,528
BVPS (Rs.)	163.6	168.1	180.7	194.6	213.7
Adj. BVPS (Rs.)	120.2	147.0	165.0	178.7	201.6
% Change	(6.5)	22.3	12.2	8.2	12.8

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Valuation					
P/E (x)	26.4	77.5	22.9	21.3	13.6
P/BV (x)	1.7	2.4	1.8	1.8	1.6
Div. Yield (%)	0.5	0.2	0.0	0.8	1.2
Profitab. & Return (%)					
Yield on Advances	8.4	8.7	9.3	9.1	9.1
Cost of Deposits	4.6	4.7	4.7	4.6	4.7
Spread	3.7	4.1	4.6	4.4	4.4
NIM	3.3	3.4	3.8	3.6	3.6
ROE	6.6	3.2	7.1	8.8	12.6
ROA	0.8	0.4	0.8	0.9	1.2
Capital Adequacy (%)					
CAR	18.4	16.9	16.1	15.8	15.6
Tier I	15.9	15.1	14.7	14.5	14.0
Tier II	2.5	1.8	1.4	1.3	1.6
Asset Quality (%)					
GNPA	8.8	6.7	5.5	6.0	5.3
NNPA	4.8	2.1	1.4	1.5	1.4
Operating Ratios (%)					
Credit/ Deposit	91.3	89.8	83.7	84.5	87.6
Cost/ Income	38.8	43.6	43.5	42.8	43.4
CASA	51.7	49.6	45.1	47.7	47.5

Recommendation Summary



Dates	Rating	Target
8-Feb-17	BUY	295
8-May-17	BUY	303
14-Aug-17	BUY	325
21-Feb-18	HOLD	345
30-Aug-18	HOLD	345
21-Nov-18	HOLD	375
22-Aug-19	HOLD	453
5-Nov-19	BUY	520
29-Jan-20	BUY	592
1-Jun-20	BUY	420
5-Jun-20	BUY	420
3-Aug-20	BUY	415

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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