



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Avinash Tanawade (022) 67141449

Q2FY21 Result Update@ Dalal & Broacha

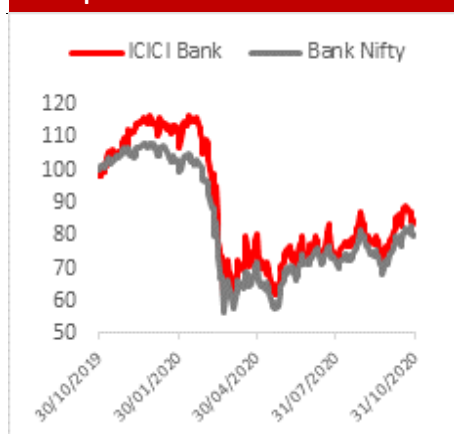
BUY

Current Price	393
Target Price	466
Upside (%)	19
52 Week Range	269/552

Key Share Data

Market Cap (Rs.Bn)	2707
Market Cap (US\$ Mn)	36316
No of o/s shares (Mn)	6896
Face Value	2
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIB:IN

Price performance



% Shareholding	Sep-20	Jun-20
FII	45.68	42.98
DII	44.12	46.15
Others	10.20	10.87
Total	100	100

ICICI Bank's Q2FY21 performance was better than our estimates. Overall, strong result, positive commentary, better collection efficiency and enough cushion for potential credit losses.

- NII came in at INR 93661 Mn, +16.2% YoY / +0.9% QoQ.
- Other Income came in at INR 40283 Mn, -4.0% YoY / -34.4% QoQ.
- PPOP came in at INR 82611 Mn, +20.2% YoY / -23.3% QoQ.
- Provisions came in at INR 29953 Mn, +19.5% YoY / -60.6% QoQ.
- PAT came in at INR 42513 Mn, +549.1% YoY / +63.6% QoQ.

Other Financial Highlights

- **Domestic Advances stood at Rs 6103 Bn (+10.3% YoY/4.5% QoQ), mainly led by Retail segment (+12.8% YoY/weightage 66%) & SME segment (+22.4% YoY/weightage 3.6%), respectively.**
- On the liability side, deposit book stood at Rs 8329 Bn (+19.6% YoY/+3.9% QoQ). Bank continued to see robust deposit flows, resulting a LCR of 150%.
- Bank's asset quality improved; GNPA's QoQ down by 29 bps at 5.17% and NNPA's QoQ down by 23 bps to 1.00% on account of standstill levied by the Supreme Court. Excluding the same, GNPA's stood at 5.36% and NNPA stood at 1.12% as per the proforma approach. Bank's BB & below book moved down to Rs 161.67 bn v/s 171.10 bn QOQ. Macro headwinds could result in continued downgrades which could mean similar levels of BB & below book in coming quarters.
- PCR increased to 81.5% (vs 78.6% QoQ) as of Sep 30, 2020. The total outstanding provisions, excluding provisions for NPAs considered in the computation of PCR, were 2.26% of loans. The management expects the PCR to be adequate for stress emerging from the pandemic.
- **Operational efficiency improved, with cost to income ratio stood at 38.3% (-557 bps YoY), backed by higher net income (NII + other income) growth of 9% YoY vs opex de-growth of 4.5% YoY in Q2FY21. According to management, business related expenses will increase in future quarters as business volumes increase.**
- NIM stood at 3.57% vs 3.69% QoQ, adversely impacted by higher liquidity (due to strong deposit inflows) and limited credit demand. Management expects margins to remain range-bound. While excess liquidity will reduce somewhat in H2, lower loan yields and higher interest reversals in H2 will adversely impact margins.

Outlook and valuation

We continue to like ICICI Bank's ongoing turnaround story with focus on retail liabilities, risk calibrated growth and better leveraging product capabilities across the group subsidiaries. We believe Bank will remain a long-term beneficiary of the consolidation theme playing out in the domestic Financial market thanks to its superior liability franchise. We also take comfort from its tier-1 capital (17.02%) and Covid-19 related provisions, which provide an additional buffer to cushion any adverse effect of sudden spikes in slippages. At CMP, stock trades at 1.9x its FY21E ABV and 1.7x its FY22E ABV. We assign a 'Buy' rating on ICICI with a price target of Rs 466, valuing the stock at 1.6x FY22E standalone P/ABV and ascribing a value of Rs 103 for subsidiaries.

Financials Fig (In INR Bn)

Year	NII	PPOP	PAT	ROA	ROE	Adj BVPS	P/ABVPS
FY20	333	281	79	0.8	7.1	165	2.4
FY21E	363	321	128	1.1	9.8	203	1.9
FY22E	424	365	176	1.4	11.7	227	1.7



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Highlights of the Conference Call

Strong Economic recovery underway

- Bank's Ultra Frequency Index, comprising several high frequency indicators, stood 94 for the week ending Oct 25, indicating that economic activity is at about 94% of the pre-COVID levels.
- A bumper kharif crop, normal monsoons, & increase in tractor sales point to a stronger rural economy.

Focusing on risk-calibrated growth in core operating profit

- 360-degree customer centric approach, which includes tap opportunities across ecosystems, leverage internal synergies, build partnerships and decongest processes
- Focused on growing its loan portfolio in a granular manner with a focus on risk and reward.

Strong recovery across portfolio (collection and overdue trends are close to pre-Covid levels)

- Mortgage disbursements during the quarter crossed pre-Covid levels and reached an all-time monthly high in Sep 2020. Out of which, Auto loan disbursements have continued to increase from June and have reached pre-Covid levels in Sep, reflecting the rise in passenger car sales. Disbursements across the rural portfolio have crossed pre-Covid levels in Aug and Sep 2020.
- Disbursements in the commercial vehicle and personal loan portfolios have increased in Q2 compared to Q1, although they continue to remain below pre-Covid levels. Credit card spends have recovered to about 85% of pre-Covid levels in Sep led by increased spends in categories such as health & wellness, electronics and e-commerce.

Strong collections efficiency across the loan portfolio in Sep & Oct

- Collections efficiency for the retail portfolio stood at ~ 97% of pre-Covid levels in Sep 2020.
- Rural portfolio saw collections efficiency ~ 1% higher than the normalized levels.
- The collection trend on the SME and business banking portfolio is now quite similar to the pre-Covid levels.
- In the performing domestic and overseas corporate loan portfolio, less than 3.0% of the portfolio was overdue at Sep 30, 2020.

Management expectation

- Expecting that corporate loans under resolution would be less than 1% of bank's total loan portfolio.
- Most of stress will be recognized in Q3 & Q4 of FY21. Bank has enough cushion in terms of upfront provision for potential credit losses which may arise due to the pandemic.
- Business related expenses to increase in future quarters as business volumes increase from the current levels.
- Continue to make investments in technology and to grow its franchise.

Operating efficiency improved due to lower operational expenses

- Drop in employee expenses is due to decline in provisions on retirements and other employee benefits as yields on Govt securities increased during Q2FY21 compared to a decline in yields in Q2 FY20.
- Non-employee expenses declined due to lower business volumes and administrative and infrastructure related expenses, partly offset by increase in technology related expenses.

International Loan Portfolio

- Overseas branches portfolio and within that, the non-India linked corporate portfolio, declined both YoY and QoQ in line with the approach which the bank articulated earlier. 66% of the outstanding was to Indian corporates and their subsidiaries and JVs.
- 17% of outstanding was to non-India companies with Indian or India linked operations & activities.
- 7% of the outstanding was to companies owned by NRIs or PIOs, while 10% of the outstanding was to other non-India companies which is less than 1% of the total portfolio of the Bank.

Unsecured portfolio

- Personal loans and credit card portfolio largely comprises salaried individuals and has been built up by cross-selling to existing customer base which provides liability information for credit assessment.
- Adjusted for usual attrition levels, about 99% of our personal loan and credit card customers, having salary accounts with us, continue to receive salary credits in the month of Sep 2020.

BB & Below book (stood at Rs 161.67 Bn vs Rs 171.10 Bn QoQ)

- Other than two accounts, one each in the telecom & construction sectors, the maximum single borrower outstanding in the portfolio was less than Rs 6 Bn as of Q2FY21.
- The rating downgrades from investment grade categories stood at Rs 16.98 Bn, while rating upgrades to the investment grade categories stood at Rs 14.29 Bn; and there was a reduction of Rs 12.12 Bn due to slippage of some borrowers into NPAs and devolvement in existing NPAs.


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Rs Bn	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Interest Earned	151	163	173	180	186	191	192	199	196
Interest Expended	87	94	97	102	105	105	103	106	103
NII	64	69	76	77	81	85	89	93	94
Other Income	32	39	36	34	42	46	43	61	40
Net Income	96	108	112	112	123	131	132	154	134
Opex	43	46	50	49	54	56	58	46	51
PPOP	52	61	62	63	69	75	74	108	83
Provisions	40	42	55	35	25	21	60	76	30
PBT	13	19	8	28	44	55	14	32	53
Tax	3	3	-2	9	37	13	2	6	10
PAT	9	16	10	19	7	41	12	26	43
Balance Sheet									
Net-worth	1054	1072	1084	1104	1,106	1,150	1,165	1,186	1,377
Deposits	5587	6068	6529	6607	6,963	7,163	7,710	8,016	8,329
Advances	5445	5643	5866	5924	6,134	6,357	6,453	6,312	6,526
Growth (%)									
NII	12.4	21	27	27	26	24	17	20	16
PPOP	-24.9	22	-17	8	31	23	19	71	20
PAT	-55.8	-3	-5	-	-28	158	26	36	549
Deposits	12.0	17	16	21	25	18	18	21	20
Advances	12.8	12	14	15	13	13	10	7	6
Ratios (%)									
GNPA	9.4	8.6	7.5	7.3	7.0	6.5	6.1	6.1	5.7
NNPA	4.1	2.9	2.3	2.0	1.8	1.6	1.6	1.4	1.1
PCR	59	68	71	74	76	76	76	79	82
CET1	14.0	13.7	13.6	13.2	13.2	13.6	13.4	13.3	15.7
CAR	17.8	17.1	16.9	16.2	16.1	16.5	16.1	16.0	18.5
Cost/Income	45.2	42.9	44.5	43.7	43.9	42.5	43.9	30.1	38.3
CD Ratio	97.5	93.0	89.8	89.7	88.1	88.7	83.7	78.7	78.4
Loan Mix									
Domestic book	4754	4971	5236	5328	5533	5,791	5,913	5,842	6,103
Retail	3118	3332	3528	3636	3810	3,976	4,080	4,046	4,296
SME	253	278	306	295	191	217	229	209	233
Corporate	1383	1361	1402	1397	1533	1,597	1,605	1,588	1,574
Overseas book	691	672	630	596	600	566	540	470	423

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P&L (Rs Bn)	FY19	FY20	FY21	FY22
Interest Earned	634	748	809	918
Interest Expended	364	415	446	494
NII	270	333	363	424
Other Income	145	164	192	205
Net Income	415	497	555	629
Opex	181	216	234	264
PPOP	234	281	321	365
Provisions	197	141	150	129
PBT	38	140	171	235
Tax	4	61	43	59
PAT	34	79	128	176

BS (Rs Bn)	FY19	FY20	FY21	FY22
Capital	13	13	14	14
Reserves	1071	1152	1420	1561
Deposits	6529	7710	8719	9978
Borrowings	1653	1629	1499	1389
Other Liabilities	379	480	452	478
Total	9645	10984	12103	13419
Cash & Bank	803	1192	1440	1209
Investments	2077	2495	2834	3293
Advances	5866	6453	6956	8014
Fixed Assets	79	84	74	72
Other Assets	819	760	800	831
Total	9645	10984	12103	13419

Ratios (%)	FY19	FY20	FY21	FY22
Growth				
NII	17.3	23.1	9.1	16.8
Operating profit	-5.3	19.9	14.2	13.6
Net profit	-50	136	61	38
Advances	14.5	10.0	7.8	15.2
Deposits	16.4	18.1	13.1	14.4
Returns				
ROA	0.4	0.8	1.1	1.4
ROE	3.2	7.1	9.8	11.7

Ratios (%)	FY19	FY20	FY21	FY22
Asset quality				
GNPA	7.4	6.0	6.2	5.2
NNPA	2.3	1.5	1.8	1.3
PCR	71	76	72	76
Per share (Rs)				
EPS	5	12	19	26
ABVPS	147	165	203	227
P/E	75	32	21	15
P/ABVPS	2.7	2.4	1.9	1.7



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