



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result update@ Dalal & Broacha

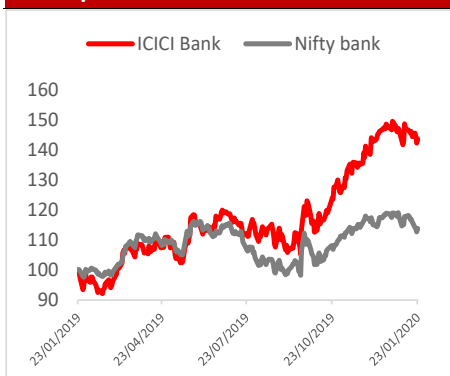
### BUY

Current Price (Rs)	534
52 Week Range	336/552
Target Price (Rs)	622
Upside (%)	16

### Key Share Data

Market Cap (Rs.bn)	3454.55
Market Cap (US\$ bn)	48.43
No of o/s shares (mn)	6469
Face Value	2
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIB:IN

### Price performance



% Shareholding	Dec-19	Sept-19
DIIs	41.12	45.70
FIIIs	45.81	40.81
Others	13.07	13.49
Total	100	100

### ICICI bank (ICICI) reported its Q3FY20 performance which beat our estimates on the profitability front

- NII came in at INR 85.5 Bn, +24% YoY / +6% QoQ and against our estimate of Rs 84.2 Bn.
- Other Income came in at INR 45.7 Bn, +18% YoY / +9% QoQ and against our estimate of Rs 43.4 Bn.
- PPOP came in at INR 75.5 Bn, +23% YoY / +10% QoQ and against our estimate of Rs 71.6 Bn.
- Provisions came in at INR 20.8 Bn, -51% YoY / -17% QoQ and against our estimate of Rs 26.2 Bn.
- PAT came in at INR 41.5 Bn, +158% YoY / +533% QoQ and against our estimate of Rs 33.9 Bn.

### Other Financial Highlights

- GNPA stable at 5.95% (-42 bps QoQ)/ -5% QoQ to Rs 434.5 Bn and NNPA stood at 1.49% (-11 bps QoQ)/ -5% QoQ to Rs 103.9 Bn. PCR at 76% (+2 bps QoQ).
- Gross Slippages stood at Rs 43.6 Bn higher than estimate vs Rs24.8 Bn in Q2FY20, while recovery/upgrades excl W.off were Rs40.9 bn & w.off Rs24.6 bn.
- Bank's BB and below book moved up to Rs 174.0 bn v/s 160.7 bn in Q2FY20
- Advances at Rs 6357 Bn (+12.6% YoY/+3.6% QoQ), mainly led by Retail segment (+19.3% YoY/weightage 63%), corporate segment (+8.1% YoY/ weightage 25%) and SME segment (+34% YoY/+3.4% QoQ). However, overseas book de-grew by 16% YoY.
- Within retail, housing & vehicle loans grew by 15% YoY & 10% YoY, while business banking, Credit cards & unsecured personal loans grew faster at 47% YoY, 43% YoY and 51% YoY.
- Deposit at Rs 7163 Bn (+18% YoY/+3% QoQ), with CASA at Rs 3364 Bn (12% YoY/4% QoQ). CASA at 47.0% (vs 46.7% QoQ/ 49.3% YoY).
- NIMs improved from 3.64% in Q2FY20 to 3.77% in Q3FY20. The impact of interest on income tax refund & interest collections from NPAs was about 10 bps in Q3FY20 vs 6 bps in Q2FY20.
- Operational efficiency improved, with cost to income ratio stood at 42.5% (-143 bps QoQ), backed by higher net income (NII + other income) growth of 22% YoY vs opex growth of 21% YoY in Q3FY20.
- Bank's capital adequacy ratio stood at 16.50% (vs 16.14% QoQ), of which Tier I capital was 14.98% (vs 14.62% QoQ) and Tier II capital was 1.52% (vs 1.52% QoQ).

### Outlook & Valuation

ICICI bank reported stable loan growth amidst economic slowdown, led by continued momentum in the retail segment. However, the slippage trajectory remains elevated with BB & below pool increasing to Rs 174.0 bn v/s 160.7 bn in Q3FY20. Therefore, we believe credit cost in the near term will remain elevated thereby impacting return ratios. **We believe that RoA normalization will begin from FY21 and estimate RoA/RoE to improve to 1.5%/14% in FY21E and 1.7%/16% in FY22E from 1.0%/9% in FY20E, led by better loan growth and lower LLP.** We remain positive on fundamentals given strong operational performance, robust liability franchise and focus on risk adjusted return-oriented business. **At CMP the stock trades at 2.9x its FY21E ABV and 2.5x its FY22E ABV. Rolling over to FY22E and valuing core bank at 2.4x FY22E ABV, we change our target price to Rs 622 (post adding Rs 119 for subsidiaries post 20% holding company discount).** Therefore, we are upgrading the stock from accumulate to buy.

### Key Financials (Rs in Bn)

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	ABVPS	P/ABV (X)
FY19	270	17	234	-5	34	(50)	147	3.6
FY20	325	20	277	18	99	195	159	3.4
FY21	387	19	331	19	176	78	182	2.9
FY22	458	18	396	20	226	28	210	2.5



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### Key Concall Highlights

- While two well-rated accounts a troubled broking company and a south-based industrial group led to the spike in Corporate slippages during the quarter, Retail slippages were higher due to Kisan Credit Card loans, which is a fallout of the farm loan waivers.
- The bank has also classified an exposure to a telco as below investment grade, which largely led to the increase in the overall BB & below book to Rs 17403 crore after two consecutive quarters of a reduction. Other downgrades were spread across sectors, including construction.
- According to management, the delinquency parameters across vintages in the personal loan and credit card portfolios have been stable and well within the internally defined thresholds.
- Recoveries and upgrades include a large steel account which was resolved under the IBC.
- No disclosure on divergence in asset classification and provisioning for NPAs is required to be made in terms of the RBI guidelines.
- Management increase credit cost guidance of FY20 from earlier range of 1.2%-1.3% and expect it to be in the similar range of 9MFY20 because of recoveries from other than steel Account has not materialised as per expectation. Furthermore, management is not hopeful of any major recovery in Q4FY20
- 65-70% of the Bank's credit card and personal loan originations in the quarter were from existing customers of the bank.
- Lower growth in employee expenses was due to a write-back in provisions for retirals as yields on government securities increase during the quarter. The increase in non-employee expenses reflects the growth and franchise building in the retail business.

Rs Bn	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Interest Earned	135	136	137	143	147	151	163	173	180	186	191
Interest Expended	79	79	80	82	86	87	94	97	102	105	105
<b>NII</b>	<b>56</b>	<b>57</b>	<b>57</b>	<b>60</b>	<b>61</b>	<b>64</b>	<b>69</b>	<b>76</b>	<b>77</b>	<b>81</b>	<b>85</b>
Other Income	34	52	32	57	39	32	39	36	34	42	46
<b>Net Income</b>	<b>90</b>	<b>109</b>	<b>89</b>	<b>117</b>	<b>100</b>	<b>96</b>	<b>108</b>	<b>112</b>	<b>112</b>	<b>123</b>	<b>131</b>
Opex	38	39	38	42	41	43	46	50	49	54	56
<b>PPOP</b>	<b>52</b>	<b>70</b>	<b>51</b>	<b>75</b>	<b>58</b>	<b>52</b>	<b>61</b>	<b>62</b>	<b>63</b>	<b>69</b>	<b>75</b>
Provisions	26	45	36	66	60	40	42	55	35	25	21
<b>PBT</b>	<b>26</b>	<b>25</b>	<b>15</b>	<b>9</b>	<b>-2</b>	<b>13</b>	<b>19</b>	<b>8</b>	<b>28</b>	<b>44</b>	<b>55</b>
Tax	5	4	-2	-1	0	3	3	-2	9	37	13
<b>PAT</b>	<b>20</b>	<b>21</b>	<b>17</b>	<b>10</b>	<b>-1</b>	<b>9</b>	<b>16</b>	<b>10</b>	<b>19</b>	<b>7</b>	<b>41</b>
<b>Balance Sheet</b>											
Net-worth	1006	1028	1045	1052	1053	1054	1072	1084	1104	1,106	1,150
Deposits	4863	4986	5174	5610	5469	5587	6068	6529	6607	6,963	7,163
Advances	4641	4828	5054	5124	5163	5445	5643	5866	5924	6,134	6,357
<b>Growth (%)</b>											
NII	8.4	8.7	6.4	1.0	9.2	12.4	21	27	27	26	24
PPOP	-0.6	-34.3	-8.4	47.0	12.1	-24.9	22	-17	8	31	23
PAT	-8.2	-33.7	-32.4	-49.6	-	-55.8	-3	-5	-	-28	158
Deposits	14.7	11.0	11.2	14.5	12.5	12.0	17	16	21	25	18
Advances	-2.6	1.3	3.3	13.2	11.3	12.8	12	14	15	13	13
<b>Ratios (%)</b>											
GNPA	9.0	8.8	8.7	10.0	9.8	9.4	8.6	7.5	7.3	7.0	6.5
NNPA	5.5	5.0	4.7	5.4	4.7	4.1	2.9	2.3	2.0	1.8	1.6
PCR	41	46	48	48	55	59	68	71	74	76	76
CET1	14.0	13.7	13.7	14.4	14.4	14.0	13.7	13.6	13.2	13.2	13
CAR	17.7	17.6	17.7	18.4	18.4	17.8	17.1	16.9	16.2	16.1	16
Cost/Income	42.3	35.9	43.0	35.8	41.6	45.2	42.9	44.5	43.7	43.9	42.5
CD Ratio	95	97	98	91	94	97	93	90	90	88	89
<b>Loan Mix</b>											
<b>Domestic book</b>	<b>3927</b>	<b>4110</b>	<b>4344</b>	<b>4480</b>	<b>4518</b>	<b>4754</b>	<b>4971</b>	<b>5236</b>	<b>5328</b>	<b>5533</b>	<b>5,791</b>
Retail	2475	2588	2740	2899	2970	3118	3332	3528	3636	3810	3,976
SME	204	210	247	254	239	253	278	306	295	191	217
Corporate	1247	1312	1358	1326	1309	1383	1361	1402	1397	1533	1,597
<b>Overseas book</b>	<b>714</b>	<b>718</b>	<b>710</b>	<b>644</b>	<b>644</b>	<b>691</b>	<b>672</b>	<b>630</b>	<b>596</b>	<b>600</b>	<b>566</b>



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P&L (Rs Bn)	FY18	FY19	FY20	FY21	FY22
Interest Earned	550	634	740	862	1014
Interest Expended	319	364	415	475	557
<b>NII</b>	<b>230</b>	<b>270</b>	<b>325</b>	<b>387</b>	<b>458</b>
Other Income	174	145	168	196	233
<b>Net Income</b>	<b>404</b>	<b>415</b>	<b>493</b>	<b>583</b>	<b>690</b>
Opex	157	181	216	252	294
<b>PPOP</b>	<b>247</b>	<b>234</b>	<b>277</b>	<b>331</b>	<b>396</b>
Provisions	173	197	106	96	94
<b>PBT</b>	<b>74</b>	<b>38</b>	<b>172</b>	<b>236</b>	<b>302</b>
Tax	7	4	72	59	76
<b>PAT</b>	<b>68</b>	<b>34</b>	<b>99</b>	<b>176</b>	<b>226</b>

BS (Rs Bn)	FY18	FY19	FY20	FY21	FY22
Capital	13	13	13	13	13
Reserves	1039	1071	1150	1291	1469
Deposits	5610	6529	7698	9031	10670
Borrowings	1829	1653	1405	1475	1431
Other Liabilities	302	379	366	462	556
<b>Total</b>	<b>8792</b>	<b>9645</b>	<b>10633</b>	<b>12272</b>	<b>14140</b>
Cash & Bank	842	803	721	801	787
Investments	2030	2077	2310	2799	3308
Advances	5124	5866	6694	7739	9068
Fixed Assets	79	79	82	84	85
Other Assets	717	819	826	848	893
<b>Total</b>	<b>8792</b>	<b>9645</b>	<b>10633</b>	<b>12272</b>	<b>14140</b>

Ratios (%)	FY18	FY19	FY20	FY21	FY22
<b>Growth</b>					
NII	6	17	20	19	18
Operating profit	-7	-5	18	19	20
Net profit	-31	-50	195	78	28
Advances	10	14	14	16	17
Deposits	14	16	18	17	18
<b>Returns</b>					
ROA	0.8	0.4	1.0	1.5	1.7
ROE	6.6	3.2	8.8	14.3	16.2

Ratios (%)	FY18	FY19	FY20	FY21	FY22
<b>Asset quality</b>					
GNPA	9.9	7.4	5.9	4.5	3.8
NNPA	5.4	2.3	2.0	1.6	1.4
PCR	48	71	67	66	64
<b>Per share (Rs)</b>					
EPS	11	5	15	27	35
ABVPS	120	147	159	182	210
P/E	51	102	35	20	15
P/ABVPS	4.4	3.6	3.4	2.9	2.5



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