



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

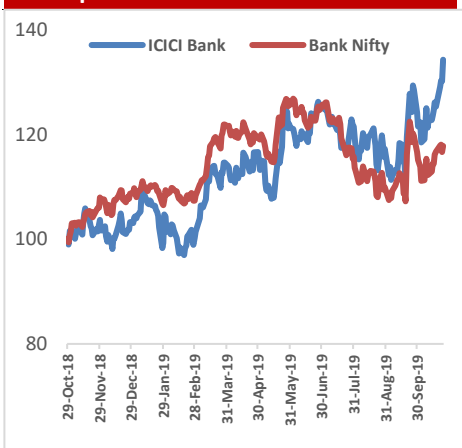
ACCUMULATE

Current Price (Rs)	469
52 Week Range	471/312
Target Price (Rs)	511
Upside (%)	9

Key Share Data

Market Cap (Rs.bn)	3031
Market Cap (US\$ mn)	42744
No of o/s shares (mn)	6460
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	24731
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIBC:IN

Price performance



% Shareholding	Sep-19	Jun-19
DIIs	48.1	45.3
FIIs	40.8	43.2
Others	11.1	11.5
Total	100	100

ICICI bank has registered a good set of numbers for the quarter ended September 2019, with stable loan growth, improved asset quality and better operating profit. Bank has reported a net profit of Rs 6.55 Bn, which was adversely impacted by a one-time tax impact of Rs 29.2 Bn due to changes in corporate tax rate. Ex of this extraordinary item, PAT would have been Rs 35.75 Bn in Q2FY20, as compared to Rs 9.09 Bn in Q2FY19. Bank's NII came at Rs 80.57 Bn (up by 26% YoY/4% QoQ) due to strong retail credit growth of 22% and better margin (core NIM 3.6% vs 3.3 in Q2FY19). PPOP stood at Rs 68.7 Bn (better than our estimate of Rs 64.8 bn), up by 32% YoY/9% QoQ, due to higher net income (NII + other income) growth of 28% YoY vs operating expenses growth of 24% YoY. Management is looking to grow its core operating profit in a risk calibrated manner; focus on granularity, transaction banking and improvement in the credit rating profile. In Q2FY20, about 89.5% of the disbursements in the domestic & international corporate portfolio were to corporates rated A- and above.

Strong retail credit growth: Bank's growth momentum continued as advances grew by 13% YoY & 4% QoQ driven by retail +22% & SME +30%, while corporate loan growth stood at 3% YoY & overseas loans declined 13% YoY. Retail contribution to total loans increased to 62.1% Vs 61.4% in Q1FY20. Within retail, housing & vehicle loans grew by 19% YoY & 16% YoY, while business banking, Credit cards & personal loans grew faster at 47% YoY, 40% YoY and 51% YoY. We believe that the growth in the retail portfolio will be higher than the overall loan portfolio, which will eventually increase the proportion of retail loans.

On the liability side, deposits growth during the quarter came in at 25% YoY/5% QoQ, driven by term deposits which grew by 35% YoY/3% QoQ. CASA grew by 14.6 %YoY (8.7% QoQ) to Rs 3,250 Bn. Bank's CASA ratio was 46.7% in Q2FY20, as compared to 45.2% in Q1FY20 and 50.8% in Q2FY19. Bank's total capital adequacy on September 30, 2019, was 16.14% and CET-1 capital adequacy was 13.24% compared to minimum regulatory requirements of 16.19% & 13.21% respectively. There was about 25 bps positive impact on the CET-1 ratio, due to RBI's recent dispensation to reduce the risk weights on consumer credit from 125% to 100%.

Asset quality improved: Bank's asset quality improved during the quarter, with GNPA stood at 6.37% Vs 6.49% QoQ, while NNPA stood at 1.60% Vs 1.77% QoQ. Slippages during the quarter stood at Rs 24.82 Bn Vs Rs 27.79 Bn in Q1FY20 & Rs 31.17 Bn in Q2FY19. Out of which, Corporate & SME lending slippages stood at Rs 11.59 Bn (75% came from disclosed BB & below accounts). Credit Cost is at sixteen quarters low at 1.7% vs YoY 3.0%, QoQ 2.4%. The bank has guided for Credit Cost of 1.2-1.3% in FY20 (subject to higher recoveries from IBC cases including one steel account). If the meaningful recovery doesn't happen, credit cost would be in the range of 1.8-2.0% (against 3.6% in FY19). BB & below rated exposure increased slightly (due to net downgrades) to Rs. 160.7 Bn vs QoQ Rs 153.6 Bn. Weak macro could result in continued downgrades which could mean the same level of BB & below book over the next few quarters.

Valuation and outlook

With asset quality stabilizing and revival in core operating profit, we believe ICICI bank is well equipped to tap the strong growth opportunities available in the banking space. Further, lower credit cost due to stable asset quality will boost return ratios meaningfully in FY21. We expect ICICI Bank's RoA/RoE to improve to 1.5%/15% by FY21. We have revised our estimates for FY20/FY21, and accordingly revised our target price to Rs 511 (from Rs 479 earlier), valuing the stock at 2.2x FY21E standalone P/BV and ascribing a value of Rs 102 for subsidiaries. Since the upside from current levels is modest, we change the rating from "BUY" to "ACCUMULATE", thereby advising buying on declines.

Key Financials (Rs in Bn)

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	ABVPS	P/B (X)
FY19	270	17	234	(5)	34	(50)	147	3.2
FY20	329	22	278	19	95	181	161	2.9
FY21	404	23	341	22	187	97	186	2.5



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Rs Bn	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Interest Earned	134.6	135.8	136.7	142.6	147.2	151.1	162.8	172.9	179.8	185.7
Interest Expended	78.7	78.7	79.6	82.4	86.2	86.9	94.1	96.7	102.4	105.1
NII	55.9	57.1	57.1	60.2	61.0	64.2	68.8	76.2	77.4	80.6
Other Income	33.9	51.9	31.7	56.8	38.5	31.6	38.8	36.2	34.3	41.9
Net Income	89.8	109.0	88.7	117.0	99.5	95.7	107.6	112.4	111.6	122.5
Opex	37.9	39.1	38.1	41.9	41.5	43.2	46.1	50.1	48.7	53.8
PPOP	51.8	69.9	50.6	75.1	58.1	52.5	61.5	62.3	62.9	68.7
Provisions	26.1	45.0	35.7	66.3	59.7	39.9	42.4	54.5	35.0	25.1
PBT	25.7	24.8	14.9	8.9	-1.6	12.6	19.0	7.8	27.9	43.7
Tax	5.3	4.3	-1.6	-1.3	-0.4	3.5	3.0	-1.9	8.8	37.1
PAT	20.5	20.6	16.5	10.2	-1.2	9.1	16.0	9.7	19.1	6.5
Balance Sheet										
Net-worth	1006	1028	1045	1052	1053	1054	1072	1084	1104	1,106
Deposits	4863	4986	5174	5610	5469	5587	6068	6529	6607	6,963
Advances	4641	4828	5054	5124	5163	5445	5643	5866	5924	6,134
Ratios (%)										
GNPA	8.0	7.9	7.8	8.8	8.8	8.5	7.8	6.7	6.5	6.4
NNPA	4.9	4.4	4.2	4.8	4.2	3.7	2.6	2.1	1.8	1.6
PCR	41	46	48	48	55	59	68	71	74	76
CET1	14.0	13.7	13.7	14.4	14.4	14.0	13.7	13.6	13.2	13.2
CAR	17.7	17.6	17.7	18.4	18.4	17.8	17.1	16.9	16.2	16.1
Cost/Income	42.3	35.9	43.0	35.8	41.6	45.2	42.9	44.5	43.7	43.9
CD Ratio	95	97	98	91	94	97	93	90	90	88
Deposits (YoY)	14.7	11.0	11.2	14.5	12.5	12.0	17.3	16.4	20.8	24.6
Advances (YoY)	-2.6	1.3	3.3	13.2	11.3	12.8	11.7	14.5	14.7	12.6
Loan Mix										
Domestic book	3927	4110	4344	4480	4518	4754	4971	5236	5328	5533
Retail	2475	2588	2740	2899	2970	3118	3332	3528	3636	3810
Corporate & SME	1452	1522	1604	1581	1548	1636	1639	1708	1692	1724
Overseas book	714	718	710	644	644	691	672	630	596	600



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P&L (Rs Bn)	FY18	FY19	FY20	FY21
Interest Earned	550	634	757	902
Interest Expended	319	364	428	498
NII	230	270	329	404
Other Income	174	145	165	188
Net Income	404	415	494	591
Opex	157	181	216	250
PPOP	247	234	278	341
Provisions	173	197	112	90
PBT	74	38	166	250
Tax	7	4	71	64
PAT	68	34	95	187

BS (Rs Bn)	FY18	FY19	FY20	FY21
Capital	13	13	13	13
Reserves	1039	1071	1147	1296
Deposits	5610	6529	7745	9113
Borrowings	1829	1653	1785	1960
Other Liabilities	302	379	506	596
Total	8792	9645	11196	12977
Cash & Bank	842	803	1014	1117
Investments	2030	2077	2510	2995
Advances	5124	5866	6764	7930
Fixed Assets	79	79	82	82
Other Assets	717	819	826	855
Total	8792	9645	11196	12977

Ratios (%)	FY18	FY19	FY20	FY21
Growth				
NII	6	17	22	23
Operating profit	-7	-5	19	22
Net profit	-31	-50	181	97
Advances	10	14	15	17
Deposits	14	16	19	18
Returns				
ROA	0.8	0.4	0.9	1.5
ROE	6.6	3.2	8.4	15.1

Ratios (%)	FY18	FY19	FY20	FY21
Asset quality				
GNPA	9.9	7.4	5.6	4.2
NNPA	5.4	2.3	1.7	1.3
PCR	48	71	70	69
Per share (Rs)				
EPS	11	5	15	29
ABVPS	120	147	161	186
P/E	44	90	32	16
P/ABVPS	3.9	3.2	2.9	2.5



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