



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

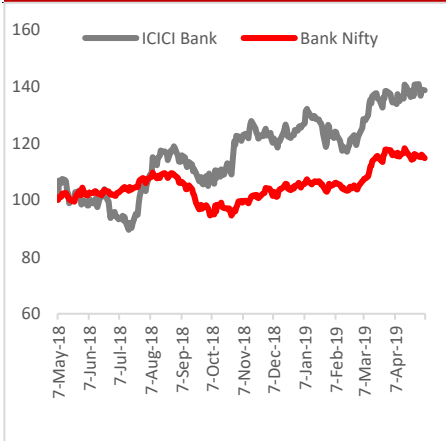
BUY

Current Price (Rs)	386
52 Week Range	411/256
Target Price (Rs)	460
Upside (%)	19%

Key Share Data

Market Cap (Rs.bn)	2490
Market Cap (US\$ mn)	35883
No of o/s shares (mn)	6446
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	6,540
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIBC:IN

Price performance



% Shareholding	Mar-19	Dec-18
DIIs	45.7	46.4
FIIIs	43.1	42.7
Others	11.2	10.9
Total	100	100

ICICI bank has reported a mixed set of number for the quarter ended March 31, 2019, where on the operating front, higher provisions and employee cost affected performance. However, no major divergence and improvement in asset quality was a big positive. PAT declined by 5% YoY/ 40% QoQ at Rs 969 Cr, while Core operating profit grew by 26% YoY/ 7% QoQ to Rs 6077 Cr in Q4FY19. Supported by healthy loan growth and stable margin, NII grew by 27% YoY/ 11% QoQ to Rs 7620 Cr in Q4FY19. NIM improved by 32 bps QoQ & 48 bps YoY to 3.72% (25 bps improvement was due to income tax refund and interest collection from NPLs vs 18 bps in Q3FY19).

Bank's cost-to-income ratio increased by 168 bps to 44.5% from 42.9% in Q3FY19 due to higher operating expenses. Employee expenses increased by 24% YoY mainly due to higher retirement provisions (gratuity & pension) due to lower G-Sec yields in Q4 of FY19 compared to Q4 of FY18, while non-employee expenses increased by 16.9% YoY due to increase in expenses related to sales promotion, advertisements, launch of new products and sourcing of retail assets. There was no target for cost to income ratio, however, management is expecting that the overall revenue growth would be higher than expenses.

Asset quality improves; GNPA at 6.7%

Bank's asset quality improved during the quarter, with GNPA/NNPA stood at 6.7% / 2.06% (vs 7.75%/2.58% in Q3FY19). Bank's slippages during the quarter stood at Rs 3547 Cr Vs Rs 2091 Cr in Q3FY19 & Rs 15737 Cr in Q4FY18. Out of which, Corporate & SME lending slippages stood at Rs 2724 Cr (69% came from disclosed BB & below accounts). Slippages others than BB & below portfolio include one account in the sugar sector where the payment obligations are being met, which has been classified as non-performing pursuant to a regulatory interpretation communicated to banks relating to change in management. Bank's BB & below rated book continued to decline and stood at ~4.5% (vs. 5.2% QoQ and 9.4% YoY), while PCR further improved by ~217bps QoQ to 71% in Q4FY19. With PCR having reached comfortable levels, management said that the future provisions will mainly accrue towards slippages. Thus, management has guided for Credit Cost of 1.2-1.3% for the current Fiscal (FY20).

Healthy credit growth at 14% YoY

Bank's growth momentum sustained as advances grew by 14.5% YoY & 4% QoQ driven by retail +22% & SME +20%, while corporate loan growth stood at 6% YoY & overseas loans declined 2% YoY. Retail contribution to total loans increased to 60% Vs 59% in Q3 & 57% in Q4FY18. Within retail segment, while housing & vehicle loans grew by 19% YoY, business banking, Credit cards & personal loans grew faster at 39% YoY, 31% YoY and 49% YoY.

Strong liability franchise; Deposit grew at 16%

Bank's Deposits for the quarter, grew by 16% YoY/8% QoQ to Rs 652,920 Cr (Loan to deposit ratio stood at 90% Vs 93% in Q3 FY19). CASA grew by 12%YoY/8% QoQ to Rs 323,940 Cr. Bank's liability franchise is relatively better than most of its peers, with CASA ratio quoting at 50% in Q4FY19 vs 49% in Q3FY19. With a strong retail franchise across geographies, bank is expected to maintain higher-than-industry-average CASA levels and thus will be able to maintain competitive funding cost over the medium term. Bank's robust deposit franchise & ability to mobilize deposits provide cushion to its liquidity profile.

Valuation and outlook

With continues reduction in BB & below portfolio, superior liability franchise and revival in core operating profit, we believe ICICI bank is well positioned to tap the strong growth opportunities available in the banking space. Thus, we have maintained a 'Buy' rating on ICICI Bank with a price target of Rs 460, valuing the stock at 1.9x FY21E standalone P/ABV and ascribing a value of Rs 102 for subsidiaries.

Key Financials (Rs in Bn)

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	P/B (X)
FY19	270	17	234	(5)	34	(50)	168	2.3
FY20	318	18	274	17	132	294	185	2.1
FY21	379	19	325	18	171	29	206	1.9



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<i>Rs Bn</i>	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Interest Earned	135	136	137	143	147	151	163	173
Interest Expended	79	79	80	82	86	87	94	97
NII	56	57	57	60	61	64	69	76
Other Income	34	52	32	57	39	32	39	36
Net Income	90	109	89	117	100	96	108	112
Opex	38	39	38	42	41	43	46	50
PPOP	52	70	51	75	58	52	61	62
Provisions	26	45	36	66	60	40	42	55
PBT	26	25	15	9	-2	13	19	8
Tax	5	4	-2	-1	0	3	3	-2
PAT	20	21	17	10	-1	9	16	10
Balance Sheet								
Net-worth	1006	1028	1045	1052	1053	1054	1072	1084
Deposits	4863	4986	5174	5610	5469	5587	6068	6529
Advances	4641	4828	5054	5124	5163	5445	5643	5866
Growth (%)								
NII	8	9	6	1	9	12	21	27
PPOP	-1	-34	-8	47	12	-25	22	-17
PAT	-8	-34	-32	-50	-106	-56	-3	-5
Deposits	15	11	11	14	12	12	17	16
Advances	3	6	10	10	11	13	12	14



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<i>P&L (Rs Bn)</i>	FY18	FY19	FY20	FY21
Interest Earned	550	634	736	874
Interest Expended	319	364	417	495
NII	230	270	318	379
Other Income	174	145	165	187
Net Income	404	415	484	567
Opex	157	181	210	242
PPOP	247	234	274	325
Provisions	173	197	88	84
PBT	74	38	186	241
Tax	7	4	54	70
PAT	68	34	132	171

<i>BS (Rs Bn)</i>	FY18	FY19	FY20	FY21
Capital	13	13	13	13
Reserves	1039	1071	1177	1314
Deposits	5610	6529	7506	8581
Borrowings	1829	1653	1785	1960
Other Liabilities	302	379	481	565
Total	8792	9645	10962	12433
Cash & Bank	842	803	855	838
Investments	2030	2077	2433	2820
Advances	5124	5866	6764	7846
Fixed Assets	79	79	82	82
Other Assets	717	819	829	848
Total	8792	9645	10962	12433

<i>Ratios (%)</i>	FY18	FY19	FY20	FY21
Growth				
NII	6	17	18	19
Operating profit	-7	-5	17	18
Net profit	-31	-50	294	29
Advances	10	14	15	16
Deposits	14	16	15	14
Returns				
ROA	0.8	0.4	1.3	1.5
ROE	6.6	3.2	11.7	13.6

<i>Ratios (%)</i>	FY18	FY19	FY20	FY21
Asset quality				
GNPA	9.9	7.5	5.3	4.1
NNPA	5.4	2.3	1.7	1.4
PCR	48	71	69	66
Per share (Rs)				
EPS	11	5	21	27
ABVPS	120	147	167	189
P/E	37	74	19	15
P/ABVPS	3.2	2.6	2.3	2.0



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