



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

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## Retail stock Idea@ Dalal & Broacha

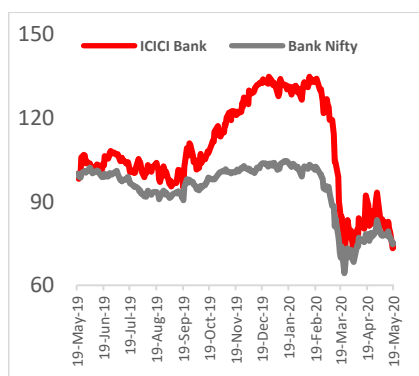
### BUY

Current Price (Rs)	300
52 Week Range	269/552
Target Price (Rs)	411
Upside (%)	37%

### Key Share Data

Market Cap (Rs.bn)	1944.97
Market Cap (US\$ mn)	25706.7
No of o/s shares (mn)	6472.77
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	47092.24
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIB:IN

### Price performance



% Shareholding	Mar-20	Dec-19
DII's	44.98	43.53
FIIS	43.72	45.81
Others	11.30	10.66
Total	100	100

Continues extension of lockdown and large additions of COVID-19 cases have put Indian stock markets into uncharted territory. The fear of further deterioration in asset quality has triggered a sharp fall in financials stocks. During this difficult period, we believe larger private banks (HDFC, ICICI) would be preferred choice, given their superior liability franchise and better capital position to manage this crisis. **Among larger banks, ICICI bank have the most favorable risk-reward, given inexpensive valuations, market-leading retail business, and industry leadership in its various subsidiaries.** In the last few years, Bank was in restructuring mode, focusing on better rated corporate accounts, reducing stress pool and beefing of its provisions. It would be safe to say that bank is in better shape to tackle Covid related issue than it would be two or three years back. We believe ICICI's business is at an inflection point with a large part of the corporate stress is already recognized.

#### Relatively better positioned; better loan mix and higher CAR

- We remain positive on Bank's fundamentals given its less risky loan portfolio (Retail 63% out of which 54% is Secured), lower aggression in lending with greater emphasis in establishing strong underwriting practices and was gradually coming out of the previous corporate credit cycle.
- Bank's liability franchise is relatively better than most of its peers, with CASA ratio stood at 47%. Because of which, bank has managed to keep their cost of deposits low (one of the lowest in financial space), which help the bank in a current tight liquidity environment.
- We believe that the CAR levels at 16.1% and tier-1 ratio at 14.7% are quite comfortable to handle any adverse effect of sudden spikes in slippages.

#### Financial Highlights for Q4FY20

- Bank's profitability has been adversely impacted by higher COVID related provision, though it registered lowest net NPAs in the last nineteen quarters, a record high NIM, and a steady balance sheet growth during the quarter.
- Bank has made provision of Rs 27.25 Bn, which was far higher than regulatory requirements of Rs 6 Bn. Bank's NII came at Rs 89.3 Bn (up by 17% YoY/4.5% QoQ) due to strong retail credit growth of 16% and better margin (core NIM 3.87% vs 3.77% in Q3FY20). We believe, the margins could improve slightly as recent savings rate cut & lower TDs pricing will fully flow through in Q1 but slower growth and passing of rates will keep limited upside.
- PPOP stood at Rs 73.9 Bn (lower than our estimate of Rs 76.0 bn), up by 19% YoY/-2% QoQ.
- Bank's operational efficiency improved, with C/I ratio stood at 43.9% (-61 bps YoY), backed by higher net income (NII + other income) growth of 17% YoY vs opex growth of 16% YoY.
- Advances stood at Rs 6453 Bn (+10% YoY/+2% QoQ), mainly led by Retail segment (+16% YoY/weightage 63%) & corporate segment (+14% YoY/ weightage 25%), while Deposit stood at Rs 7163 Bn (+18% YoY/+3% QoQ), with CASA at Rs 3364 Bn (12% YoY/4% QoQ).
- Bank's Asset quality improved during the quarter, with GNPA stood at 5.53% Vs 5.95% QoQ, while NNPA stood at 1.41% Vs 1.49% QoQ. PCR stood at 76% (-52 bps QoQ).
- Bank's BB & below book moved down to Rs 166.68 bn v/s 174.03 bn in Q3FY20. Macro headwinds could result in continued downgrades which could mean similar levels of BB & below book in coming quarters.

#### Outlook and valuation

We believe ICICI Bank will remain a long-term beneficiary of the consolidation theme playing out in the domestic Financial market thanks to its superior liability franchise and better leveraging product capabilities across the group subsidiaries. Although macro uncertainty will keep the stock under pressure in the near term, we see attractive risk reward given a stable NIMs, low cost of funds & strong growth profile. We also take comfort from its tier-1 capital, which provide an additional buffer to cushion any adverse effect of sudden spikes in slippages. Going ahead, we believe the bank will further strengthen its internal processes, closely monitor its portfolio, and target a risk-calibrated profitable growth, while maintaining strong balance sheet. Besides, strong pedigree and distribution network could see market share gains post H2FY21. Thus, we have maintained a 'Buy' rating on ICICI with a price target of Rs 411, valuing the stock at 1.6x FY22E standalone P/ABV and ascribing a value of Rs 103 for subsidiaries.

### Key Financials (Rs Bn)

Year	NII	PPOP	PAT	EPS	Adj BVPS	P/Adj Bv
FY20	333	281	79	12	165	1.8
FY21e	368	297	107	16	175	1.7
FY22e	423	347	153	24	193	1.6



**Financial Highlights**

P&L Rs Bn	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Interest Earned	135	136	137	143	147	151	163	173	180	186	191	192
Interest Expended	79	79	80	82	86	87	94	97	102	105	105	103
<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>	<b>89</b>
Other Income	34	52	32	57	39	32	39	36	34	42	46	43
<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>	<b>132</b>
Opex	38	39	38	42	41	43	46	50	49	54	56	58
<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>	<b>74</b>
Provisions	26	45	36	66	60	40	42	55	35	25	21	60
<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>	<b>14</b>
Tax	5	4	-2	-1	0	3	3	-2	9	37	13	2
<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>12</b>
<b>Balance Sheet</b>												
Net-worth	1006	1028	1045	1052	1053	1054	1072	1084	1104	1106	1150	1165
Deposits	4863	4986	5174	5610	5469	5587	6068	6529	6607	6963	7163	7710
Advances	4641	4828	5054	5124	5163	5445	5643	5866	5924	6134	6357	6453
<b>Growth (%)</b>												
NII	8	9	6	1	9	12	21	27	27	26	24	17
PPOP	-1	-34	-8	47	12	-25	22	-17	8	31	23	19
PAT	-8	-34	-32	-50	-	-56	-3	-5	-	-28	158	26
Deposits	15	11	11	14	12	12	17	16	21	25	18	18
Advances	-3	1	3	13	11	13	12	14	15	13	13	10
<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	5.5
NNPA	5.5	5.0	4.7	5.4	4.7	4.1	2.9	2.3	2.0	1.8	1.6	1.4
PCR	41	46	48	48	55	59	68	71	74	76	76	76
CET1	14.0	13.7	13.7	14.4	14.4	14.0	13.7	13.6	13.2	13.2	13.6	13.4
CAR	17.7	17.6	17.7	18.4	18.4	17.8	17.1	16.9	16.2	16.1	16.5	16.1
Cost/Income	42.3	35.9	43.0	35.8	41.6	45.2	42.9	44.5	43.7	43.9	42.5	43.9
CD Ratio	95.4	96.8	97.7	91.3	94.4	97.5	93.0	89.8	89.7	88.1	88.7	83.7
<b>Loan Mix</b>												
Domestic book	3927	4110	4344	4480	4518	4754	4971	5236	5328	5533	5791	5913
Retail	2475	2588	2740	2899	2970	3118	3332	3528	3636	3810	3976	4080
SME	204	210	247	254	239	253	278	306	295	191	217	229
Corporate	1247	1312	1358	1326	1309	1383	1361	1402	1397	1533	1597	1605
Overseas book	714	718	710	644	644	691	672	630	596	600	566	540



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<b>P&amp;L (Rs Bn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
Interest Earned	634	748	833	948
Interest Expended	364	415	465	525
<b>NII</b>	<b>270</b>	<b>333</b>	<b>368</b>	<b>423</b>
Other Income	145	164	160	183
<b>Net Income</b>	<b>415</b>	<b>497</b>	<b>528</b>	<b>607</b>
Opex	181	216	231	260
<b>PPOP</b>	<b>234</b>	<b>281</b>	<b>297</b>	<b>347</b>
Provisions	197	141	154	143
<b>PBT</b>	<b>38</b>	<b>140</b>	<b>142</b>	<b>204</b>
Tax	4	61	36	51
<b>PAT</b>	<b>34</b>	<b>79</b>	<b>107</b>	<b>153</b>

<b>BS (Rs Bn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
Capital	13	13	13	13
Reserves	1071	1152	1237	1358
Deposits	6529	7710	8816	10229
Borrowings	1653	1629	1531	1409
Other Liabilities	379	480	556	698
<b>Total</b>	<b>9645</b>	<b>10984</b>	<b>12154</b>	<b>13706</b>
Cash & Bank	803	1192	1344	1219
Investments	2077	2495	2998	3580
Advances	5866	6453	6963	8047
Fixed Assets	79	84	85	89
Other Assets	819	760	764	772
<b>Total</b>	<b>9645</b>	<b>10984</b>	<b>12154</b>	<b>13706</b>

<b>Ratios (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Growth</b>				
NII	17	23	11	15
Operating profit	-5	20	6	17
Net profit	-50	136	34	43
Advances	14	10	8	16
Deposits	16	18	14	16
<b>Returns</b>				
ROA	0.4	0.8	0.9	1.2
ROE	3.2	7.1	8.8	11.7

<b>Ratios (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Asset quality</b>				
GNPA	7.5	6.1	6.2	5.7
NNPA	2.3	1.6	1.7	1.5
PCR	71	76	73	74
<b>Per share (Rs)</b>				
EPS	5	12	16	24
ABVPS	147	165	175	193
P/E	58	25	18	13
P/ABVPS	2.0	1.8	1.7	1.6



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