

ICICI Bank

Performance Highlights

Particulars (₹ cr)	4QFY18	3QFY18	% chg (qoq)	4QFY17	% chg (yoy)
NII	6,022	5,705	5.6	5,962	1
Pre-prov. profit	7,513	5,057	48.6	5,112	47
PAT	1,019	1,650	(38.2)	2,025	(49.7)

Source: Company, Angel Research

ICICI Bank witnessed a flat movement in its core revenue in the 4QFY18. Net interest income just inched up by 1%yoy to ₹6,022cr. This was due to a decline in advances from overseas branches and a muted movement in advances to corporates. Other income climbed up by 88% primarily due to a one-time income arising from sale of investments. All the other constituents like fee income and treasury income also maintained growth.

Steady upward movement in core product helps in revenue growth

During 4QFY18, the bank's advances grew by 10.4%yoy (1.4%qoq), aided by healthy growth in its main product, retail loans, which grew by 21%yoy. Retail contribution to total loans increased to 57% as compared to 52% in the corresponding quarter of the previous year. However, corporate loans dipped by 2%yoy and 5%qoq, majorly due to a 14%yoy decrease in overseas corporate loans. Domestic corporate loan book was also sluggish with just a 4%yoy rise and a 3%qoq dip. Therefore, the overall NIM expansion was restricted to 10bps at 3.2%.

The bank's deposits during the quarter increased by 14.5% to ₹5,60,975cr. CA and SA deposits grew by 19% and 17%, respectively, taking the CASA contribution in total deposits to 51.7% from 50% in the year-ago quarter.

Asset quality of the bank was seen deteriorating compared to the previous year. GNPA increased to 8.8% from 7.9% in FY17. This was due to a drilldown amounting to ₹11,776cr added to GNPA. Slippages increased to a whopping ₹15,737. Nonetheless, proportion of net NPA was limited to 5.4% by increasing provisions by 144% in the 4QFY18. Provisions were hiked by taking advantage of the one-time increase in other income. An escalation in provisions resulted in a decline in PAT by 50%yoy to ₹1,019cr.

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting value of subsidiaries) is trading at 1.9x FY20E ABV. We believe strength of liability franchise (CASA-52%), shift in loan mix towards retail assets and better rated companies, Strong capitalization (tier I of 15.9%) would be the key trigger for multiple expansion. **We recommend a Buy rating on the stock, with a target price of ₹422.**

Key Financials

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
NII	21,224	21,738	23,025	26,118	30,389
% chg	11	2	6	13	16
Net profit	9,726	9,802	6,645	9,506	13,292
% chg	(13.0)	0.8	(32.2)	43.1	40
NIM (%)	3.3	3.2	3.1	3.1	3.3
EPS (₹)	15	15	10	15	21
P/E (x)	20	20	30	21	15
P/ABV (x)	3	3	2	2	2
RoA (%)	1.4	1.3	0.8	1.0	1.3
RoE (%)	11	10	6	9	11

Source: Company, Angel Research; Note: CMP as of May 11, 2018

BUY

CMP	₹311
Target Price	₹422

Investment Period	12 Months
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Stock Info

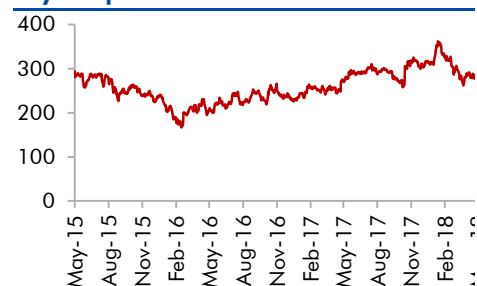
Sector	Banking
Market Cap (₹ cr)	2,00,003
Beta	1.9
52 Week High / Low	365.6/256
Avg. Daily Volume	7,69,527
Face Value (₹)	2
BSE Sensex	35,536
Nifty	10,807
Reuters Code	ICBK.NS
Bloomberg Code	ICICIBC@IN

Shareholding Pattern (%)

Promoters	NA
MF / Banks / Indian Fls	31.5
FII / NRIs / OCBs	60.9
Indian Public / Others	5.8

Abs. (%)	3m	1yr	3yr
Sensex	4.0	17.0	29.0
ICICI Bank	(5.0)	14.0	6.0

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 4QFY2018 performance (Standalone)

Particulars (₹ cr)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	% YoY	% QoQ
Interest earned	13,618	13,569	13,459	13,577	13,665	14,264	5.1	4.4
- on Advances / Bills	9,870	9,991	9,847	10,090	10,238	10,690	7.0	4.4
- on investments	2,948	2,622	2,827	2,879	2,860	3,001	14.5	4.9
- on balance with RBI & others	126	282	199	145	154	166	(41.1)	7.8
- on others	675	674	586	463	412	406	(39.7)	(1.5)
Interest Expended	8,254	7,606	7,869	7,868	7,960	8,243	8.4	3.6
Net Interest Income	5,364	5,962	5,590	5,709	5,705	6,022	1.0	5.6
Other income	3,938	3,017	3,388	5,186	3,167	5,678	88.2	79.3
- Fee income	2,495	2,446	2,377	2,570	2,639	2,755	12.6	4.4
- Treasury income	893	503	858	2193	66	2685	433.8	3,968.2
- Others	550	68	153	423	462	238	250.0	(48.5)
Operating income	9,302	8,979	8,978	10,895	8,872	11,700	30.3	31.9
Operating expenses	3,778	3,867	3,794	3,909	3,814	4,186	8.2	9.8
- Employee expenses	1,406	1,480	1,511	1,514	1,363	1,526	3.1	12.0
- Other Opex	2,372	2,387	2,283	2,395	2,452	2,660	11.4	8.5
Pre-provision Profit	5,524	5,112	5,184	6,986	5,057	7,513	47.0	48.6
Provisions & Contingencies	2712.7	2898	2608.74	4502.93	3569.56	6625.75	128.6	85.6
PBT	2,812	2,214	2,575	2,483	1,488	888	(59.9)	(40.3)
Provision for Tax	369	189	526	425	-162	-132	(169.7)	(18.7)
PAT	2,442	2,025	2,050	2,058	1,650	1,019	(49.7)	(38.2)
Effective Tax Rate (%)	13.1	8.5	20.4	17.1	-10.9	-14.8		

Source: Company, Angel Research

Exhibit 2: Strong Retail lending supports Loan Growth

Particulars (₹ cr)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	% YoY	% QoQ
Domestic Corporate	1,25,829	1,29,921	1,26,735	1,24,372	1,31,316	1,35,949	132,197.9	4.3	(2.8)
Overseas branches	91,305	82,802	74,741	71,468	71,934	70,754	64,561.77	(13.6)	(8.8)
SME	19,533	21,044	22,283	20,883	20,760	24,764	25,619.75	15.0	3.5
Retail Total	2,17,588	2,23,703	2,40,472	2,47,352	2,58,770	2,73,920	29,1040.4	21.0	6.3
Total	4,54,255	4,57,469	4,64,232	4,64,075	4,82,780	5,05,387	5,13,420	10.6	1.6
Loan Mix (%)									
Domestic Corporate	28	28	27	27	27	27	26		
Overseas branches	20	18	16	15	15	14	13		
SME	4	5	5	5	4	5	5		
Retail Total	48	49	52	53	54	54	57		

Source: Company, Angel Research

During 4QFY2018, the bank's advances grew by 10.4% yoy (1.4% qoq), aided by healthy retail loan book growth of 21% yoy. Retail contribution to total loans increased to 57% as compared to 52% in the corresponding quarter of the previous year. However, the corporate loan book decreased by 2% yoy (5% qoq) majorly due to a 14%yoy decline in overseas corporate loans.

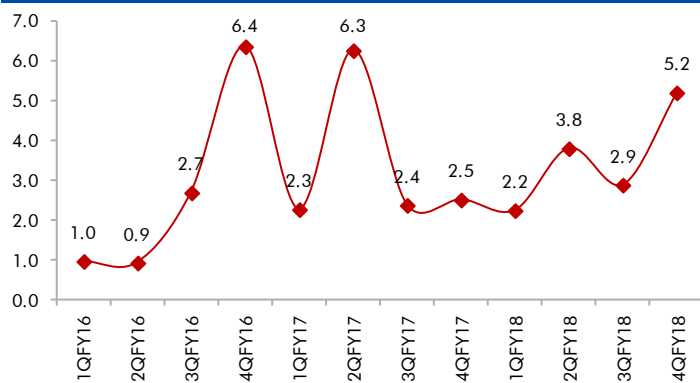
Exhibit 3: Asset Quality Analysis

Particulars (₹ cr)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	% YoY	% QoQ
Opening gross NPA	27,563	32,548	38,085	42,552	43,148	44,489	46039	20.9	3.5
Add: gross additions	8,089	7,037	11,289	4,976	4,674	4,380	15737	39.4	259.3
Slippages (%)	1.8	1.5	2.4	1.1	1.0	0.9	12.29%		
Closing gross NPAs	32,548	38,085	42,552	43,148	44,489	46,039	54063	27.1	17.4
GNPA (%)	6.12	7.2	7.89	7.99	7.87	7.82	8.84	12.0	
Less - Provision	16,065	17,930	17,101	17,842	20,359	22,229	26,177	53.1	17.8
Net NPAs	16,483	20,155	25,451	25,306	24,130	23,810	27,886	9.6	17.1
Net NPA (%)	3.2	4.0	4.9	4.9	4.4	4.2	4.8	(2.5)	
PCR	49	47	40	41	46	48	48		
Standard Restructured	6,300	6,400	4,300	2,400	2,000	1,800	1,595	(62.9)	(11.4)
Std. Rest. Adv. as % of Loan Book	1.4	1.4	0.9	0.5	0.4	0.4	0.3		

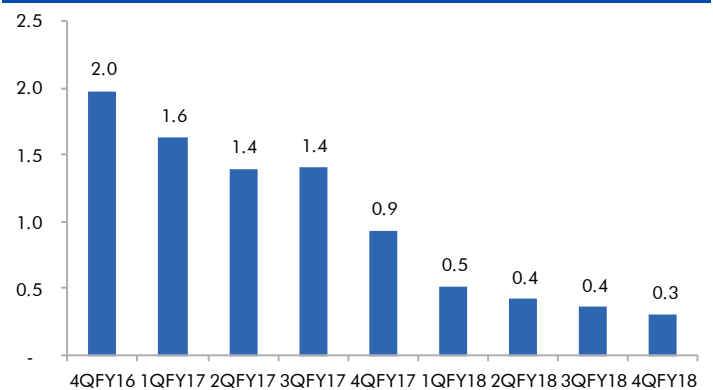
Exhibit 4: Declining trend in sub-investment grade exposures

Particulars (₹ cr)	Exposure at 4QFY17	% of total Exposure at 1QFY18	Exposure at 1QFY18	% of total Exposure at 2QFY18	Exposure at 2QFY18	% of total Exposure at 3QFY18	Exposure at 3QFY18	% of total Exposure at 4QFY18	Exposure at 4QFY18	% of total Exposure
Sector										
Power	6,230	0.7	7,080	0.8	6,840	0.7	6,530	0.7	1,206	0.3
Mining	5,230	0.6	5,590	0.6	5,750	0.6	5,780	0.6	446	0.1
Iron/Steel	3,970	0.4	3,990	0.4	4,010	0.4	4,430	0.4	3,033	-
Others (cement, rigs, etc.)	290	-	320	-	410	0.3	420	-	43	-
Promoter entities	3,270	0.3	3,330	0.4	2,580	0.3	1,920	0.2	-	-
Total	18,990	2.0	20,310	2.2	19,590	2.3	19,080	1.9	4,728	0.4

Source: Company

Exhibit 5: Credit cost trend


Source: Company

Exhibit 6: SR stayed stable QoQ at 0.3% of loan


Source: Company

Exhibit 7: SOTP valuation summary

Particulars	%	Valuation Methodology	Value/share (₹)
Value of ICICI standalone	100	1.9x FY20E ABV	312
Subsidiaries			
ICICI Prudential Life	55	On Current M.Cap	55
General Insurance	56	On Current M.Cap	29
Mutual Fund	51	8% of current AUM	19
Other (Home Fin, VC, Securities PD and Overseas subsidiaries)			34
Total subsidiaries' value @ 20% discount			110
Fair value per share			422

Source: Company, Angel Research

Outlook & Valuation: At the current market price, the bank's core banking business (after adjusting value of subsidiaries) is trading at 1.9x FY20E ABV. We believe strength of liability franchise (CASA-52%), shift in loan mix towards retail assets and better rated companies, Strong capitalization (tier I of 15.9%), and steady improvement in stress loan and going forward quick resolution under IBC would be the key trigger for multiple expansion. **We recommend a Buy rating on the stock, with a target price of ₹422.**

Income statement (Standalone)

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	21,224	21,738	23,025	26,118	30,389
- YoY Growth (%)	11	2	6	13	16
Other Income	15,323	19,503	17,419	14,284	16,391
- YoY Growth (%)	26	27	(11)	-18	15
Operating Income	36,547	41,241	40,444	40,402	46,780
- YoY Growth (%)	17	13	(2)	-0	16
Operating Expenses	12,684	14,754	15,704	17,358	19,622
- YoY Growth (%)	10	16	6	11	13
Pre - Provision Profit	23,863	26,487	24,741	23,044	27,158
- YoY Growth (%)	21	11	(7)	-7	18
Prov. & Cont.	11,668	15,207	17,307	10,699	9,435
- YoY Growth (%)	199	30	14	(38)	(12)
Profit Before Tax	12,196	11,279	7,434	12,346	17,723
- YoY Growth (%)	(23)	(8)	(34)	66	44
Prov. for Taxation	2,469	1,478	789	2,839	4,431
- as a % of PBT	20	13	11	23	25
PAT	9,726	9,802	6,645	9,506	13,292
- YoY Growth (%)	(13)	1	(32)	43.1	40

Balance sheet (Standalone)

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Equity	1,170	1,171	1,292	1,292	1,292
Reserve & Surplus	88,566	98,780	1,03,868	1,11,473	1,22,107
Networth	89,736	99,951	1,05,160	1,12,765	1,23,398
Deposits	4,21,426	4,90,039	5,60,975	6,25,275	6,96,944
- Growth (%)	17	16	14	11	11
Borrowings	1,74,807	1,47,556	1,82,859	1,96,771	2,11,741
Other Liab. & Prov.	34,726	34,245	30,195	24,097	54,690
Total Liabilities	7,20,695	7,71,791	8,79,189	9,58,907	10,86,774
Cash Balances	27,106	31,702	33,102	39,482	44,008
Bank Balances	32,763	44,011	51,067	28,378	31,630
Investments	1,60,412	1,61,507	2,02,994	2,15,091	2,43,168
Advances	4,35,264	4,64,232	5,12,395	5,87,985	6,74,726
- Growth (%)	12	7	10	15	15
Fixed Assets	7,577	7,805	7,904	9,624	10,727
Other Assets	57,574	62,535	71,727	78,347	82,514
Total Assets	7,20,695	7,71,791	8,79,189	9,58,907	10,86,774
- Growth (%)	12	7	14	9	13

Ratio analysis (Standalone)

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability ratios (%)					
NIMs	3.3	3.2	3.1	3.1	3.3
Cost to Income Ratio	35	36	39	43	42
RoA	1.4	1.3	0.8	1.0	1.3
RoE	11	10	6	9	11
B/S ratios (%)					
CASA Ratio	46	50	52	51	52
Credit/Deposit Ratio	1.03	0.95	0.91	0.94	0.97
Asset Quality (%)					
Gross NPAs	5.2	7.9	8.8	6.9	5.6
Net NPAs	2.7	4.9	3.5	2.8	2.3
Slippages	4.2	7.5	6.4	2.5	2.0
Loan Loss Prov. /Avg. Assets	1.71	2.04	2.10	1.16	0.92
Provision Coverage	50	60	60	60	60
Per Share Data (*)					
EPS	15	15	10	15	21
ABVPS (75% cover.)	112	116	125	148	164
DPS	5	2	2	3	4
Valuation Ratios					
PER (x)	20	20	30	21	15
P/ABVPS (x)	2.8	2.7	2.5	2.1	1.9
Dividend Yield (%)	1.5	0.7	0.7	1.0	1.3
DuPont Analysis					
Int Income	7.7	7.3	6.7	6.8	7.0
Int Exp	4.6	4.3	3.9	4.0	4.0
NII	3.1	2.9	2.8	2.8	3.0
(-) Prov. Exp.	1.7	2.0	2.1	1.2	0.9
Adj. NII	1.4	0.9	0.7	1.7	2.0
Other Inc.	2.2	2.6	2.1	1.6	1.6
Op. Inc.	3.6	3.5	2.8	3.2	3.7
Opex	1.9	2.0	1.9	1.9	1.9
PBT	1.8	1.5	0.9	1.3	1.7
Taxes	0.4	0.2	0.1	0.3	0.4
RoA	1.4	1.3	0.8	1.0	1.3
Leverage	8.0	7.9	8.0	8.4	8.7
RoE	11.4	10.3	6.5	8.7	11.3

Source: Note - Valuation done on closing price of 11/05/2018

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Disclosure of Interest Statement	ICICI Bank
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

**Accumulate (5% to 15%)
Reduce (-5% to -15%)**

**Neutral (-5 to 5%)
Sell (< -15)**

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors