ICICI Bank

BSE SENSEX	S&P CNX
36,701	10,829

Stock Info

Bloomberg	ICICIBC IN
Equity Shares (m)	6,454
M.Cap.(INRb)/(USDb)	2554.6 / 35.6
52-Week Range (INR)	444 / 295
1, 6, 12 Rel. Per (%)	0/10/22
12M Avg Val (INR M)	7353
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY19	FY20E	FY21E
NII	270	327	387
OP	234	270	324
NP	34	132	175
NIM (%)	3.4	3.6	3.7
EPS (INR)	5.2	20.5	27.1
EPS Gr (%)	-52.8	292.8	32.0
BV/Sh (INR)	165	181	201
ABV/Sh (INR)	136	154	175
Cons. BV/Sh (INR)	177	202	234
Cons. ABV/Sh (INR)	147	175	208
RoE (%)	3.2	12.0	14.4
RoA (%)	0.4	1.3	1.5
Valuations			
P/BV (x) (Cons)	2.3	2.0	1.7
P/ABV (x) (Cons)	2.7	2.3	1.9
P/ABV (x)	2.0	1.8	1.6
P/E (x)	51.7	13.1	10.0
Div. Yield (%)	0.4	1.4	1.7

Shareholding pattern (%)

As On	Jun-19	Mar-19	Jun-18
Promoter	0.0	0.0	0.0
DII	34.8	34.4	32.0
FII	56.8	57.2	60.0
Others	8.4	8.4	8.0

FII Includes depository receipts

CMP: INR396 TP: INR520 (+31%) BUY

Well placed in a challenging macro environment

Operating metrics improving steadily; Asset quality well-guarded!

- **ICICI Bank's (ICICIBC) annual report reaffirms our view that the bank is progressing well in its endeavor to strengthen balance sheet with strong focus on retail franchise. While its retail portfolio has been leading overall loan growth, GNPA has remained stable at 1.7% for many years; also, retail fees contribute over 70% to total fees.**
- **Concentration of the top-20 advances/exposures improved by 206bp/208bp to 12.1%/11.9% during the year. On the liability side, concentration of the top-20 depositors improved by ~50bp to 5.7%.**
- **BB and below pool reduced to INR175b (~3.0% of total loans) while net stressed loans declined to 3.3% (excluding NNPA). During 1QFY20, the BB & below pool further reduced to INR154b (~2.6% of loans) while net stressed loans declined to 2.9% (excl. NNPA).**
- **SA per branch has improved to INR448m in 1QFY20 v/s INR354m in FY17, thus, indicating higher productivity and operational efficiency at branch level. The bank has one of the highest proportion of retail deposits with a strong CASA mix.**
- **With asset quality stabilizing, we expect credit cost to moderate sharply and estimate core RoA/RoE to improve to 1.5%/15.5% by FY21. Maintain Buy with SOTP-based TP of INR520 (2.2x FY21E ABV). ICICIBC remains our top pick in the sector.**

Strong traction in building retail franchise continues

ICICIBC's deposit growth came in at ~16% CAGR while CASA grew at ~18% CAGR over FY15-19. The average CASA ratio improved from ~39.5% in FY15 to ~44.6%. However, garnering CASA has been a challenging task for banks over the last few quarters, and therefore, ICICIBC has increased its focus towards retail term deposits. **During 1QFY20, term deposit growth (+34% YoY) far exceeded deposit growth, and thus, avg. CASA ratio declined 120bp QoQ to 43.4%** (still best in the industry). While its liability franchise stands strong, the bank intends to maintain a healthy and stable funding profile to deliver benefits on the cost of funds.

Business productivity improving; SA per branch improves

ICICIBC has increased its focus to improve branch productivity by leveraging technology to offer new digital and comprehensive products. Thus, the SA per branch of ICICIBC has improved to INR448m in 1QFY20 v/s INR354m in FY17, indicating higher productivity and operational efficiency at branch level. Also, business per branch improved from ~INR2.0b in FY17 to INR2.6b in 1QFY20 at CAGR of 13%.

Loan growth driven by retail; Mix of overseas loans declines to ~10%

The bank increased its focus towards high yielding retail loans like personal loans and credit cards. The share of unsecured retail loans increased to 8.2% of loans as at 1QFY20 (v/s 5.9% in FY18). ~90% of the disbursements were made over FY19 to the A- and above. The retail business remains a key growth driver and constitutes ~61% of the total loan book. **Further, retail fees contribute over 70% to the total fees.** The bank also launched new products – both in retail assets as well as in Corporate & SMEs – such as instant digital credit **'PayLater'**, and **'GST business loans'** for MSMEs.

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com); +91 22 6129 1542 | Parth Gutka (Parth.Gutka@motilaloswal.com)
Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); Himanshu Taluja (Himanshu.Taluja@motilaloswal.com); Yash Agarwal (Yash.Agarwal@motilaloswal.com)

RWA density improves; Deposit concentration improves slightly

ICICIBC has a Tier-1 ratio of 15.1% (CET 1 of 13.6%); total CAR stands at 16.9%. During the year, the bank focused on lending to better rated corporates, resulting in RWA density improving ~90bp to ~71% in FY19. Further, concentration of the top-20 advances/exposures improved 206bp/208bp to 12.1%/11.9% during the year. On the liability side, concentration of the top-20 depositors improved by ~50bp to 5.7%. **During 1QFY20, the bank had a Tier-1 ratio of 14.6% (CET1 of 13.2%) while total CAR stood at 16.2%.**

Asset quality improving; Net stressed loans decline to 2.9%

The quantum of BB and below pool reduced to INR175b (~3.0% of total loans) while net stressed loans declined to 3.3% (excluding NNPA). **During 1QFY20, the BB & below pool further reduced to INR154b (~2.6% of loans); net stressed loans declined to 2.9% (excl. NNPA).** Further, concentration of the top-4 NPA accounts declined from 35.1% in FY17 to 27.2% in FY19.

- The bank substantially raised PCR from 48.4% (60.5% including tech. w/off) in FY18 to 74.1% (83.4% including tech. w/off).
- ~56% of NPAs lie in the D2 category, as against an average of 33% over the past three years, while the proportion of D3 category and loss assets increased to 20% v/s 10% in FY18. Thus, the requirement of ageing provisions for NPA will be lower. We, therefore, estimate credit cost of ~1% by FY21E.
- Gross retail GNPA increased 28% YoY to ~INR60b; in percentage points (pp), it was broadly stable at 1.7% (v/s 1.6% in FY18).

Mixed performance from subsidiaries

ICICI Bank's subsidiaries reported mixed trends over FY19 –

- **Life Insurance:** The share of the Protection business in total APE improved to 9.3% v/s 5.7% in FY18, while ULIP APE (79.6% of total APE) declined 2.7% in FY19 v/s an average 18% growth over the past three years. **However, during 1QFY20**, the share of Protection in total APE improved further to 14.6% while the share of ULIP declined to 71.2%.
- **ICICI Lombard reported** PAT growth of 22% YoY to INR10.5b, led by a 17% increase in gross written premium. The combined ratio improved to 98.5% from 100.2% in FY18.
- **ICICI Securities** reported a decline in revenue due to a decrease in equity delivery volumes amidst challenging market conditions. Thus, net revenue was down 7% YoY to INR17.3b, while PAT also declined 11% YoY to INR4.9b.
- **ICICI Prudential AMC:** AUM growth was subdued at 5% YoY v/s 26% in FY18. PAT grew 11% YoY to INR6.8b.

Other highlights

Contingent liabilities for the bank grew significantly to ~49% YoY in FY19 (20% CAGR over FY14-19), primarily due to an increase in the notional amount of interest rate swaps; currency options increased 89% YoY. Thus, it resulted in an increase in proportion of contingent liabilities to ~200% of total assets (v/s 131% in FY14).

Valuation & view

ICICIBC is better placed in a challenging macro environment (economic activity is slowing down and pace of stressed asset formation is posing an upside risk to asset quality), given that it has limited exposure to the newly surfaced stressed names and is well on track to see earnings normalization. However, continued weakness in the lending environment may pose a risk to revival in earnings trajectory. We expect the bank to deliver loan CAGR of 17% over FY19-21 and core RoA/RoE to improve to 1.5%/15.5%. Maintain Buy with an SOTP-based TP of INR520 (2.2x FY21E ABV for the bank). **ICICI Bank remains our top pick in the sector.**

Focus on retail deposits; Robust funding profile maintained

Higher focus on retail term deposits

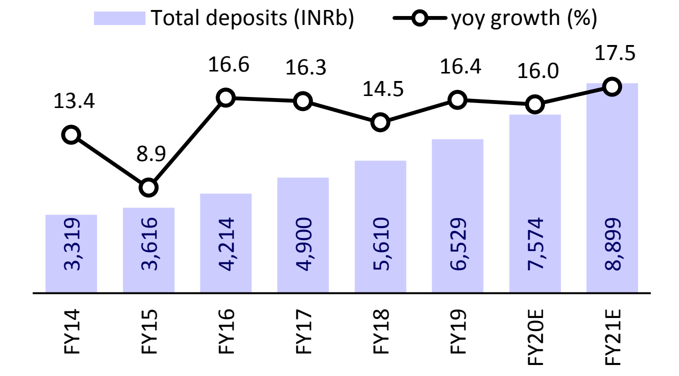
Expect stronger growth in retail term deposits over CASA.

- ICICI Bank continues to see strong growth in retail deposits and has succeeded in maintaining robust liability franchise over the past few years. The bank's total deposits growth came in at ~16% CAGR while CASA grew at ~18% CAGR over FY15-FY19. However, over the last few quarters, garnering CASA is becoming a challenge across all banks and thus focusing more on retail term deposits.
- During 1QFY20, the term deposit growth (+34% YoY) far exceeded deposit growth (+21% YoY), while CASA grew ~8% YoY. Thus, the avg. CASA ratio declined 120bp QoQ to 43.4% (still the best in the industry). Its liability franchise stands strong and we believe the bank will continue to maintain healthy and stable funding profile to deliver benefits on cost of funds. Overall, we expect deposits to grow at ~17% CAGR over FY19-21E.
- Further, the bank is repositioning its deposit franchise in its overseas franchise to focus on deposits from non-resident Indians. The deposits in overseas branches increased 9.3% YoY to ~INR54.2b v/s INR49.6b in FY18.

Have introduced new products like 'Advantage Aura Savings account', 'FD Xtra', etc.

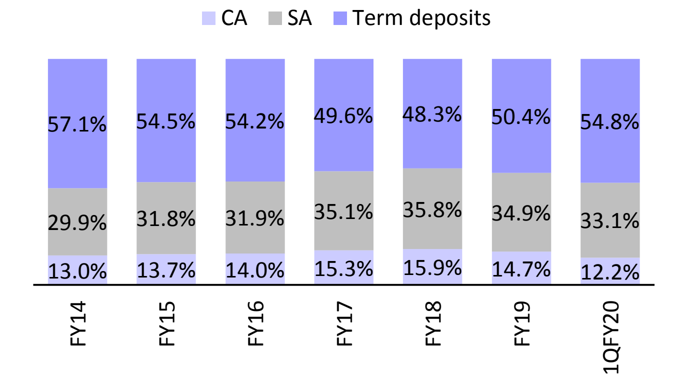
- ICICIBC continues to invest in strengthening it liability franchise by leveraging technology to offer new products. The bank recently introduced various new products on the deposits side; for instance, the **'Advantage Women Aura Savings account'** for working women that offers key benefits across banking, lifestyle, investment and tax planning, child education and protection. Also, introduced **'FD Xtra' (**fixed and recurring plan) specially designed to meet life-stage needs and goals of customers such as term insurance, saving for down-payment of home and car, retirement planning, child education, etc.

Exhibit 1: Expect deposit growth at 17% CAGR over FY19-21E



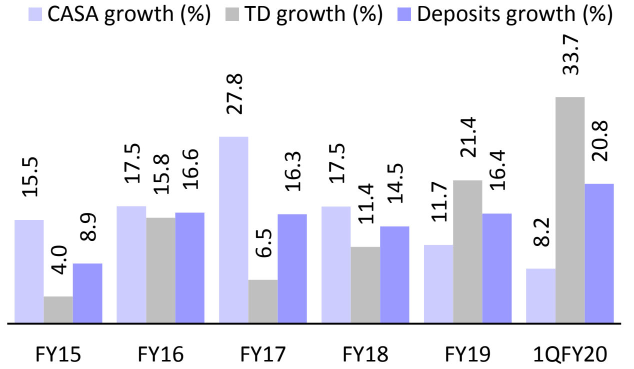
Source: Company, MOFSL

Exhibit 2: CASA ratio at ~45% stands best among peers



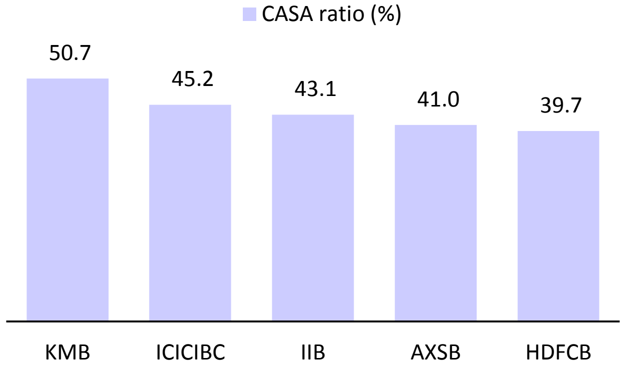
Source: Company, MOFSL

Exhibit 3: Bank is aggressively focusing on term deposits



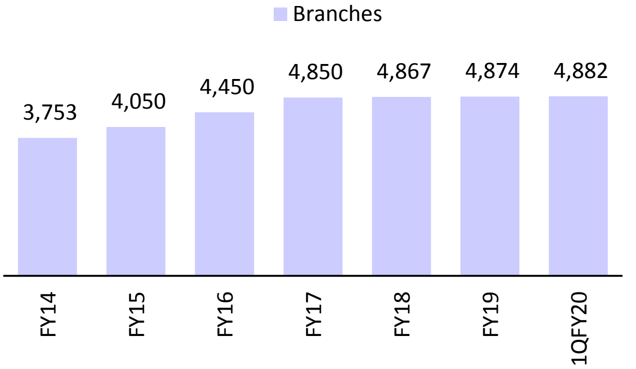
Source: Company, MOFSL

Exhibit 4: Strong CASA reflects competitive advantage over peers



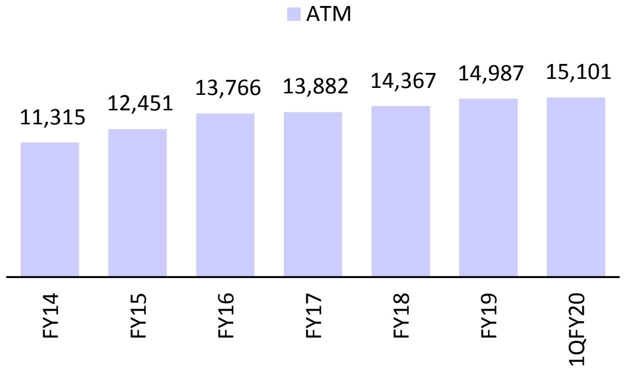
Source: Company, MOFSL,

Exhibit 5: Branch trends….



Source: Company, MOFSL

Exhibit 6: ATM trends….

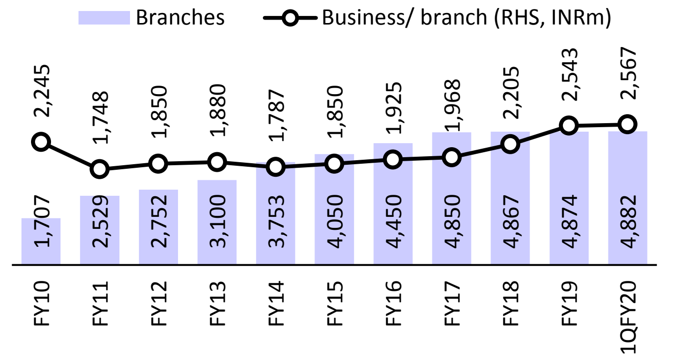


Source: Company, MOFSL

Business productivity improving; SA per branch improves

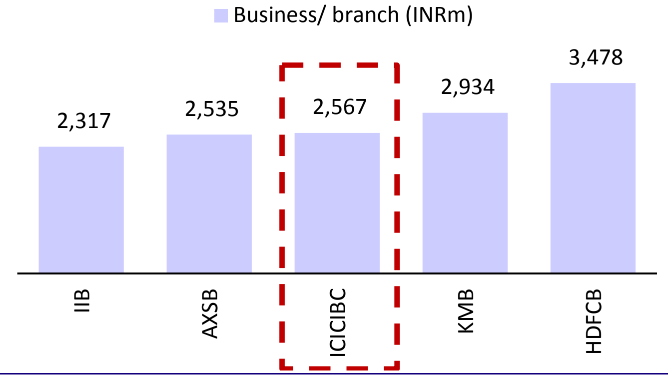
Private banks have been focusing on improving branch productivity by leveraging technology. As a result, branch productivity (SA per branch) of most private banks saw high double-digit growth. **The SA per branch of ICICIBC has improved to INR448m in 1QFY20 vs INR354m in FY17, indicating higher productivity and operational efficiency at branch level.** Also, the business per branch has improved from ~INR2.0b in FY17 to INR2.6b in 1QFY20, a growth CAGR of 13%. Almost 50% of the total branches are present in rural and semi-urban regions. **The bank is further planning to add 400-500 new branches over FY20E.**

Exhibit 7: Business/branch consistently improving



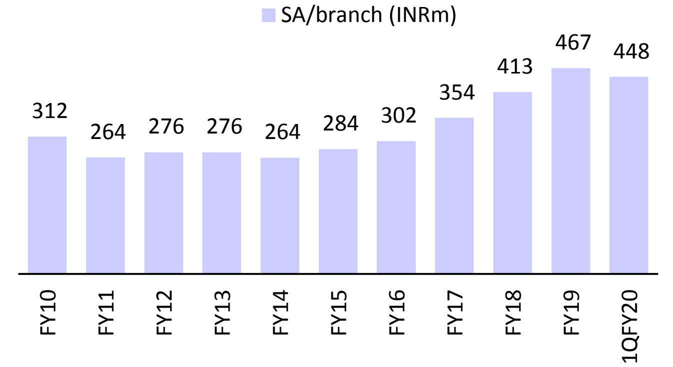
Source: Company, MOFSL

Exhibit 8: Business/branch across peers



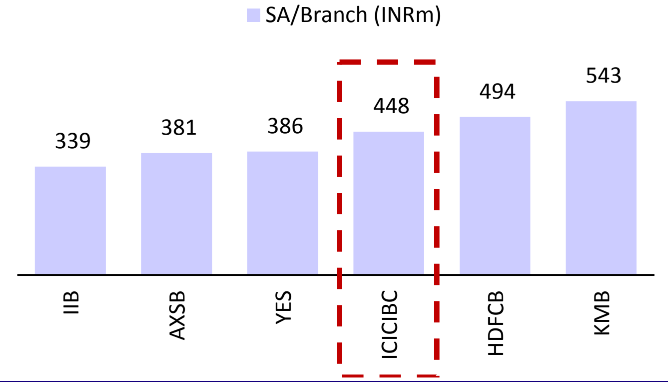
Source: Company, MOFSL

Exhibit 9: SA/branch improves to INR448m



Source: Company, MOFSL

Exhibit 10: SA/branch across peers



Source: Company, MOFSL

Loan growth driven by retail segment; Overseas mix declines to ~10%

Increasing focus towards unsecured retail loans improves to 8.2% of total loans

- ICICIBC's focus has been on building a more granular and high quality portfolio. The bank grew its advances at 14.5% YoY while domestic loans grew at 17% YoY while continuously running down its overseas business (-2% YoY); and thus mix of overseas loans declined from 24.3% in FY15 to ~11% in FY19. The retail business remains a key growth driver, which grew 22.0% YoY and constitutes ~60% of the total loan book (including non-fund outstanding which forms ~47%) v/s ~57% in FY18.
- The bank has been focusing more towards granular assets; it has been rebalancing its portfolio towards retail loans, concentrating more on unsecured loans and high rated corporate portfolio. Its personal loan portfolio grew 49% YoY while credit cards grew 31% YoY; thus, the share of unsecured retail loans increased to 7.4% of the total loans (v/s 5.9% in FY18).

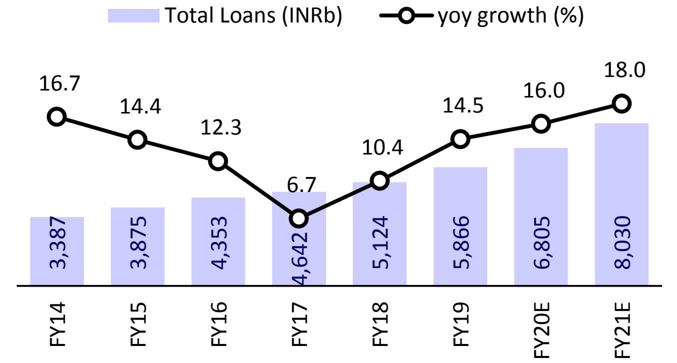
~90% of the disbursements made over FY19 to the A- and above.

- The SME portfolio grew at 20.3% while corporate book increased ~6% YoY with higher focus on working capital loans. The bank's rating mix of disbursements has changed significantly with 90% of the disbursements made over FY19 to the A- and above.
- The bank launched new products – both in retail assets as well as in Corporate & SMEs – such as instant digital credit **'PayLater'**, and **'GST business loans'** for MSMEs.

The share of unsecured retail loans increased to 8.2% of the total loans (v/s 5.9% in FY18).

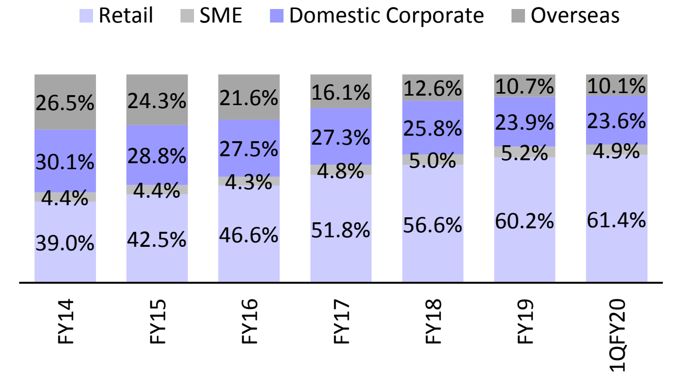
- **However, during 1QFY20, advances grew 14.7% YoY; domestic book grew at 18% YoY while overseas loan mix declined further to 10.1%. Retail loans grew ~22% YoY, primarily led by YoY growth of 19% in home loans, 54% in personal loans, and 46% in business banking. Credit cards book also showed healthy growth at ~33% YoY. Thus, retail loans constituted ~61.4% of total loans.**

Exhibit 11: Expect loan growth to reach 17% by FY21E



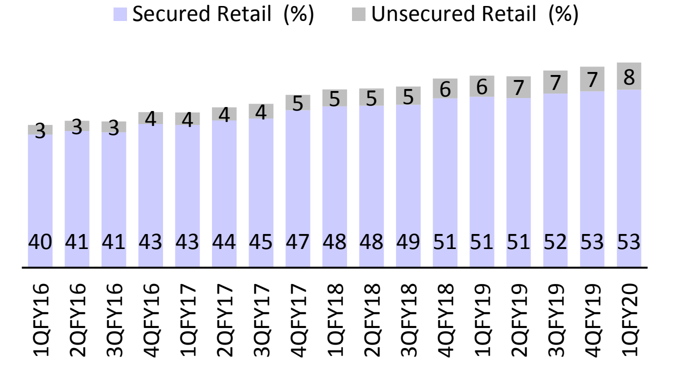
Source: Company, MOFSL

Exhibit 12: Share of retail loans improves to ~61%



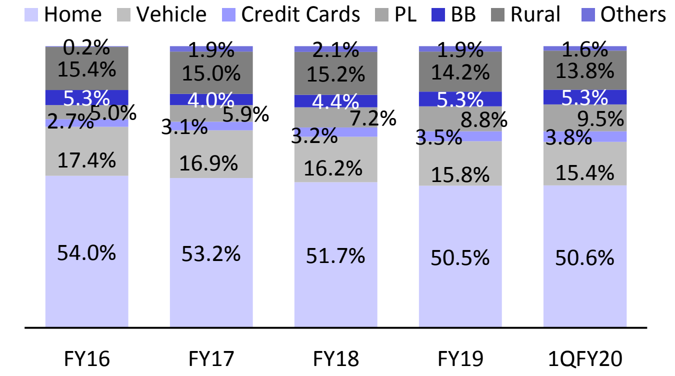
Source: Company, MOFSL

Exhibit 13: The proportion of unsecured retail loans rising



Source: Company, MOFSL

Exhibit 14: Proportion of credit cards and personal loans rising, but still forms just ~13% of the total retail loans



Source: Company, MOFSL

Exhibit 15: Portfolio rating profile continuously improving

Net advances rating profile	FY17	FY18	FY19	1QFY20
AA- and above	37.2%	42.4%	45.1%	44.7%
A+, A, A-	19.0%	20.1%	22.0%	22.4%
A- and above	**56.2%**	**62.5%**	**67.1%**	**67.1%**
BBB+, BBB, BBB-	28.7%	27.5%	28.2%	29.2%
BB and below#	14.6%	9.4%	4.5%	3.5%
Unrated	0.5%	0.6%	0.2%	0.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100%**

Source: Company, MOFSL, Note: based on internal ratings of the company; # includes NNPA

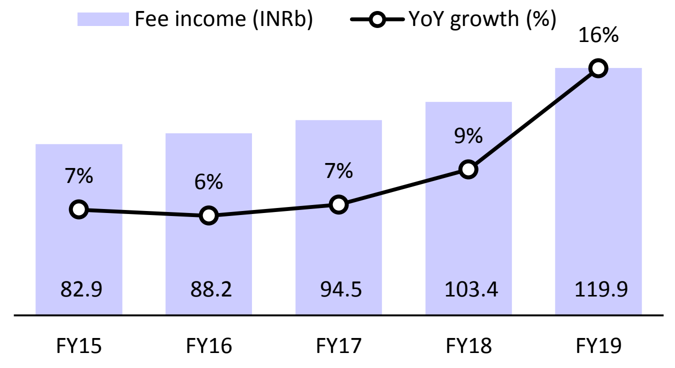
Fee income getting granular; retail fees constitute ~73% of total fees

- Retail fees constituted ~73% of the overall fees in FY19 (1QFY20:72%), signifying the granularity of fee income. This was primarily driven by credit cards, transaction banking fees and retail lending linked fees.

Retail fees now constitute ~73% of overall fees.

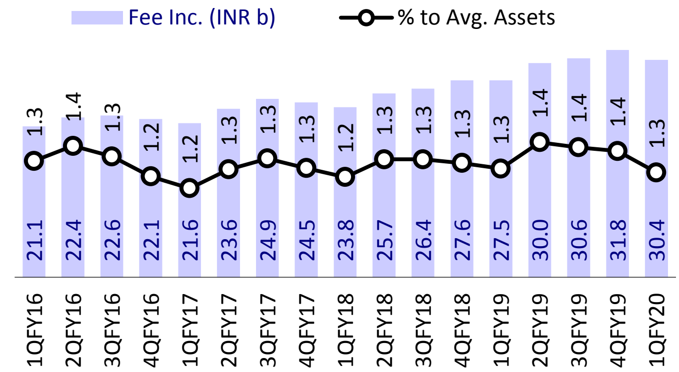
- We believe that the efficient use of data analytics, along with an increase in volume of digital transaction, has helped boost volumes for several retail segments. This, in turn, has helped build traction in retail fee income and to maintain strong control on delinquencies/operating expenses.

Exhibit 16: Fee income trends



Source: Company, MOFSL

Exhibit 17: Total fee income constitutes ~1.3-1.4% of average assets over the last many quarters



Source: Company, MOFSL

Strong focus on improving digital platform

Focus on digital lending like Insta Home Loan, Insta Auto Loan, PayLater, GST overdraft, etc.

- The bank has implemented new initiatives, both in loans and deposits, to increase the contribution of digital channels to drive growth and efficiency in the business. It has increased end-to-end digital disbursement of retail credit through products like Insta Home Loan, Insta Auto Loan and PayLater.
- The bank also launched several digital products in the SME segment like overdraft facility of up to INR1.5m and also started providing business loans based on GST returns. The bank is also providing an online platform 'SME Empower' that enables SMEs to buy and sell products online.
- For corporate customers, the bank has started providing a digital financial supply chain platform with integrated payment solutions, which helps streamline delivery systems across the entire value chain.

Exhibit 18: New digital initiatives…..

Insta Retail products	Corporate & MSME	Deposits
Insta Home loan	Trade Online Platform	Advantage Woman; Aura Savings Account
Insta top up home loan	Eazypay	The One
Insta Auto Loan	GST Business Loan	FD Xtra
Insta loan against shares	Digital Financial Supply Chain Platform	
Insta 2-Wheeler Loans		
PayLater		
Insta Top up on travel cards		

Source: MOFSL, Company

~86% of SA transactions are done through digital channels.

ICICIBC has a market share of ~14% in credit cards.

- The bank has also entered into a partnership with Amazon & Makemytrip for issuing co-branded credit cards.
- It is the first bank to launch Fastag, a product that allows motorists to make digital payments at multiple toll plazas. It has issued ~1.7m Fastags till FY19 and has almost captured 60% market share in terms of transaction volumes. ~86% of savings account transactions are done through digital channels.
- In terms of transaction value, mobile banking grew at 65% YoY, while credit cards grew by 30% and debit cards by 21%. **While over 1QFY20**, the mobile banking grew 141% YoY, credit cards 32% YoY and debit cards grew 12% YoY
- ICICIBC credit card business is showing robust performance with stable market share over the years. It is currently the third largest credit card issuer with a total card base of 6.6m (market share of 14.1%).

Exhibit 19: Market share in credit cards

Market Share (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19
HDFCB	33.6	26.8	28.3	29.7	28.6	28.5	26.5
SBIN	13.2	14.9	15.0	14.8	15.3	16.7	17.6
ICICIBC	14.7	16.6	15.8	14.9	14.3	13.3	14.1
AXSB	5.6	7.2	8.2	9.8	11.2	12.0	12.7
CITIBANK	12.1	12.6	11.4	9.8	8.5	7.1	5.8

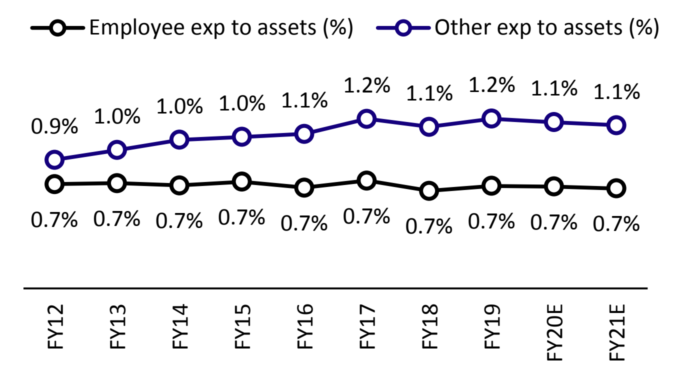
Source: Company, MOFSL

Operating efficiency to improve gradually led by higher productivity

ICICIBC is continuously focusing on enhancing technology capabilities to support its business growth. The average cost to assets ratio stood at ~1.8-1.9% over FY15-19 while the C/I ratio increased during FY19 to ~44% (v/s 37% over FY15-18). The decline in C/I ratio over the previous years was largely due to stake sale in its subsidiaries; as no such event has occurred in the current year, thus the C/I ratio has increased.

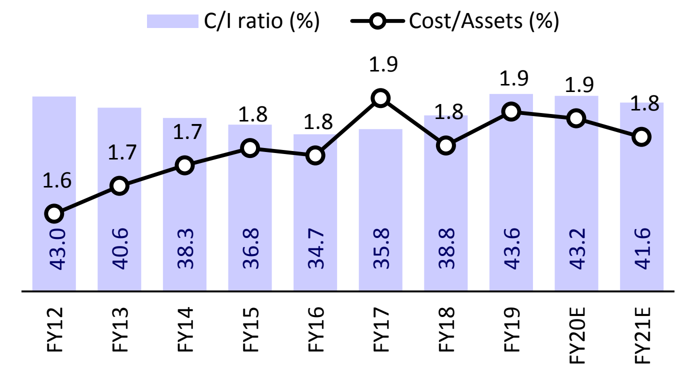
The bank has been focusing strongly on leveraging technology to increase volumes in the retail segments and to maintain control over its operating expenses. We expect opex to average assets to remain at ~1.8% by FY21E.

Exhibit 20: Cost to average assets stable over the years



Source: Company, MOFSL

Exhibit 21: Expect cost to avg. assets to decline to ~1.8% by FY21



Source: Company, MOFSL

Contingent liabilities stood at ~2x of total assets

The contingent liabilities for the bank grew significantly at ~49% YoY in FY19 (20% CAGR over FY14-19), primarily due to an increase in the notional amount of interest rate swaps and currency options, which increased 89% YoY. Thus, it resulted in an increase in proportion of contingent liabilities to ~200% of total assets (v/s 131% in FY14).

Exhibit 22: Contingent liabilities constitute ~200% of total assets

Contingent Liabilities (INR b)	FY14	FY15	FY16	FY17	FY18	FY19
Claims not acknowledged as debt	42	40	35	46	63	55
On account of outstanding forward exch. contracts	2,691	2,899	3,568	4,272	4,327	4,701
Guarantees given in India	759	755	750	727	748	855
Guarantees given outside India	263	238	255	203	198	211
Acceptances, Endorsements etc	506	497	473	478	410	434
Liability for partly paid investments	0	0	0	0	0	0
Currency swaps	594	514	460	411	417	423
IRS, currency options and IRF	2,919	3,538	3,414	4,131	6,593	12,442
Others	40	39	53	41	138	99
Total	**7,814**	**8,520**	**9,008**	**10,310**	**12,892**	**19,220**
% of total assets	**131%**	**132%**	**125%**	**134%**	**147%**	**199%**

Source: MOFSL, Company

Asset quality improving; PCR strengthens to ~74%

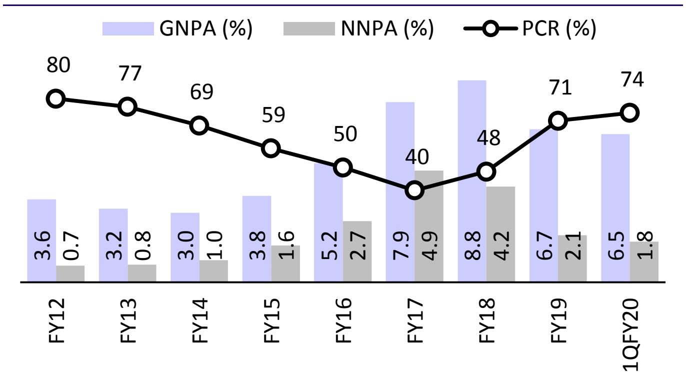
The BB & below pool declines to 2.6% of the total loans

- During FY19, the asset quality position of the bank improved with slippages moderating to ~INR110b from INR298b in FY18. During the year, the quantum of BB and below pool also reduced to INR175b (~3% of loans). Slippage ratio moderated to 2% in FY19, which, coupled with healthy recoveries, led to a decline in GNPAs from INR540.6b (10% of loans) in FY18 to INR462.9b (7.5% of loans). During a similar period, the bank substantially raised its PCR from 48.4% (60.5% including tech. w/off) to 70.7% (80.7% including tech. w/off), resulting in ~51% decline in its NPA. NNPL ratio, thus, improved from ~4.8% to ~2.1%. **Thus, the net stressed loans declined to 3.3% (excl. NNPA).**

Net stressed loans declined to 2.9% (excl. NNPA)

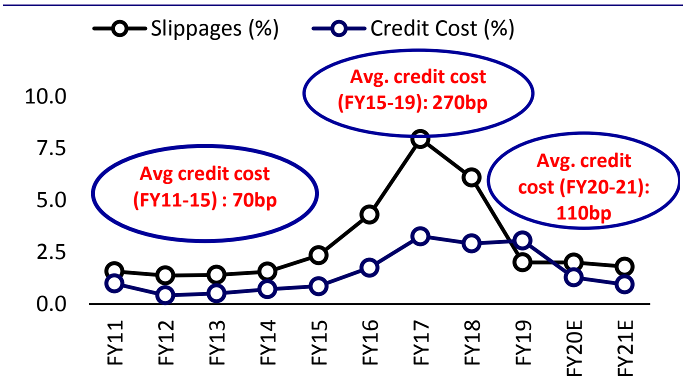
- Moreover, during 1QFY20, asset quality trends further improved. Total fresh slippages stood at INR27.8b, of which corporate and SME slippages accounted for only INR12.7b, primarily from the BB & below pool. Thus, the BB & below book declined 12% QoQ to INR154b (2.6% of the loans) v/s INR175b (3% of the loans) in 1QFY19. **Thus, total net stressed loans declined to 2.9% (excl. NNPA).**
- ICICIBC has made substantial progress towards improving its asset quality position, which is evident from moderation in slippages while a sharp pick-up in its coverage ratio to 74% (92% coverage on NCLT List 1) should further curb incremental provisioning requirement. We overall estimate credit costs to moderate to ~1% by FY21 and move towards its long-term average.

Exhibit 23: Asset quality improving; PCR strengthens to ~74%



Source: Company, MOFSL

Exhibit 24: Slippages and credit costs are expected to revert to their normalized levels



Source: Company, MOFSL

Exhibit 1: ICICIBC total exposure – BB and below also trending down

INR b	2QFY19	3QFY19	4QFY19	1QFY20
Gross restructured loans	14.4	3.9	3.5	1.5
Non-fund o/s to restructured loans	1.3	1.8	2.2	0.9
Non-fund o/s to non-performing loans	30.5	34.1	42.2	36.3
Borrowers with o/s greater than INR1b	107.5	97.4	78.0	71.9
Borrowers with o/s less than INR1b	64.3	51.0	49.4	43.0
BB and below outstanding	**217.9**	**188.1**	**175.3**	**153.6**

Around 56% of NPA in ‘Doubtful 2’ category v/s average of 33% over past three years

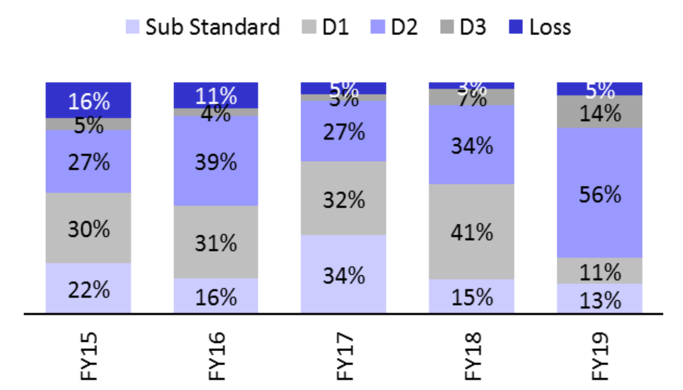
- Around 56% of the NPAs lie in the D2 category, as against an average of 33% over the past three years, while the proportion of D3 category and loss assets increased to 20% v/s 10% in FY18. **Thus, the requirement of ageing provisions for NPA will be lower.**
- Further, the concentration of the top-4 NPA accounts declined from 35.1% in FY17 to 27.2% in FY19. GNPAs for the priority and non-priority sectors have bettered in the current year, with a major improvement seen in the industry and services sector. GNPA for non-priority sector declined from 11.5% in FY18 to 9.5% in FY19 led by a decline in industry sector from 25% to 21%. For the priority sector, GNPA ratio declined from 2.2% to 1.9% despite agriculture GNPA increasing from 3.1% to 3.7%.

Exhibit 25: Net stressed loans (excl NNPA) down to 2.9% from 3.3% in FY19

INRb	4QFY19	1QFY20
GNPA	**462.9**	**457.6**
Security Receipts	32.9	32.8
BB and below (Fund based)	115.5	100.6
BB and below (Non-Fund based)	59.7	52.9
Gross stress loans	**671.0**	**644.0**
as a % of net advances	**11.4%**	**10.9%**
Specific Provisions	327.1	339.1
Contingent provisions	15.9	13.5
Net Stress Loans	**328.0**	**291.4**
as a % of net advances	**5.6%**	**4.9%**
Net Stress Loans (excluding NPA)	**192.2**	**172.8**
as a % of net advances	**3.3%**	**2.9%**

Source: Company, MOFSL

Exhibit 26: ~56% of NPAs in D2 category v/s average of 33% over past three years



Source: Company, MOFSL

Exhibit 27: NPA classification under different buckets across banks

As a % of GNPA	AXISB		ICICIB		SBI		BoB	
	FY17	FY19	FY17	FY19	FY17	FY19	FY17	FY19
Sub Standard	**27%**	**17%**	**34%**	**13%**	**25%**	**15%**	**21%**	**19%**
Doubtful	**48%**	**69%**	**61%**	**81%**	**73%**	**79%**	**68%**	**66%**
Doubtful 1	26%	22%	32%	11%	25%	20%	22%	22%
Doubtful 2	20%	42%	27%	56%	40%	45%	37%	30%
Doubtful 3	2%	5%	3%	14%	8%	14%	9%	14%
Loss	**25%**	**14%**	**5%**	**5%**	**2%**	**5%**	**11%**	**15%**
Total GNPL (INR b)	**213**	**298**	**455**	**486**	**1,792**	**1,736**	**434**	**491**

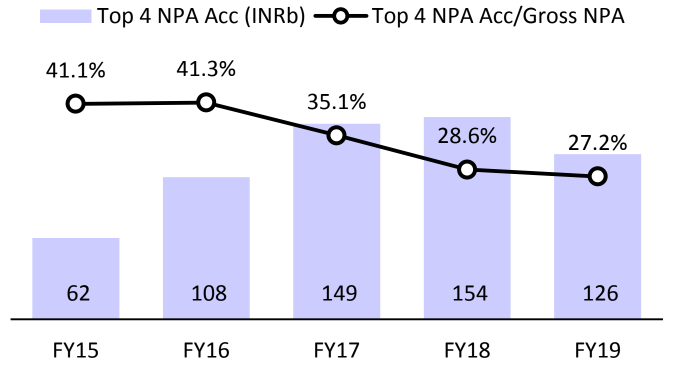
Source: MOFSL, Company

Exhibit 28: Power sector exposure

INRb	3QFY19	4QFY19	1QFY20	%
Gross restructured loans	149	114	112	29%
Other borrowers*	313	260	279	71%
Total Power sector exposure	461	374	391	100%

Source: MOFSL, Company

Exhibit 29: Concentration of top-4 NPA accounts stable at ~27% of gross NPA



Source: MOFSL, Company

Exhibit 30: Overall GNPAs for priority and non-priority sector improved with large improvement in loans to industry

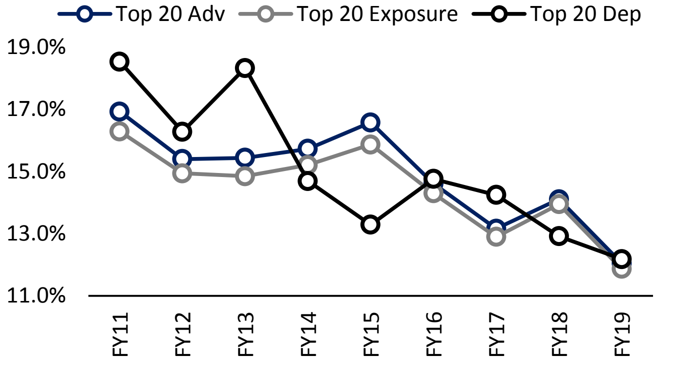
	FY16		FY17		FY18		FY19	
INR b	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)
Priority Sector								
Agriculture	292	3.1%	342	3.1%	393	3.1%	447	3.7%
Industry	149	3.3%	179	3.0%	231	1.9%	398	1.1%
Services	137	2.0%	158	1.6%	75	2.1%	226	1.7%
Personal loans	360	1.2%	402	1.2%	243	1.0%	644	1.3%
Total (A)	**937**	**2.2%**	**1,080**	**2.2%**	**943**	**2.2%**	**1,715**	**1.9%**
Non-Priority Sector								
Agriculture	NA	NA	NA	NA	NA	NA	NA	NA
Industry	1,640	10.3%	1,622	19.8%	1,630	25.5%	1,564	21.3%
Services	872	7.2%	908	7.3%	1,110	6.8%	1,168	5.7%
Personal loans	1,053	1.0%	1,215	0.9%	1,697	1.3%	1,743	1.3%
Total (B)	**3,564**	**6.8%**	**3,744**	**10.6%**	**4,437**	**11.5%**	**4,475**	**9.5%**
Total (A+B)	**4,502**	**5.8%**	**4,825**	**8.7%**	**5,379**	**9.9%**	**6,190**	**7.4%**

Source: Company, MOFSL,

RWA density improves; Deposit concentration improves slightly

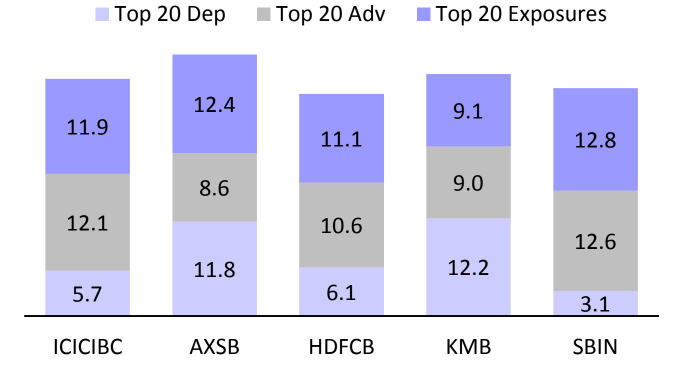
- During FY19, ICICIBC has a Tier-1 ratio of 15.1% (CET 1 of 13.6%), while total CAR stands at 16.9%. The bank focused on lending to better rated corporates, resulting in RWA density improving ~90bp to ~71% in FY19. Further, concentration of top-20 advances/exposures improved 206bp/208bp to 12.1%/11.9% during the year. On the liability side, the concentration of the top-20 depositors improved ~50bp to 5.7%. **During1QFY20, the bank has a tier-1 ratio of 14.6% (CET1 of 13.2%) while total CAR stands at 16.2%.**

Exhibit 31: Concentration of top-20 advances and exposures declined to ~12% each in FY19



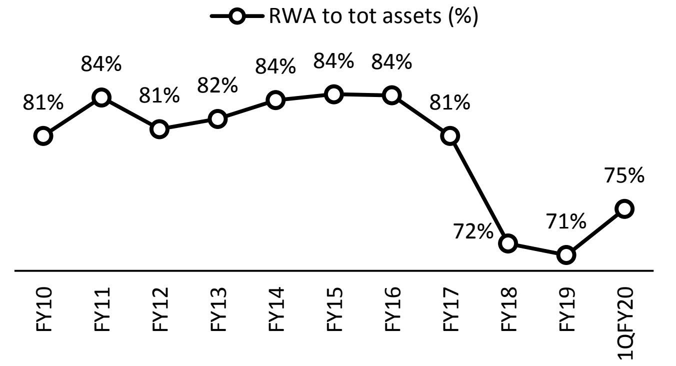
Source: MOFSL, Company

Exhibit 32: Concentration ratios across banks; ICICIBC reasonably placed



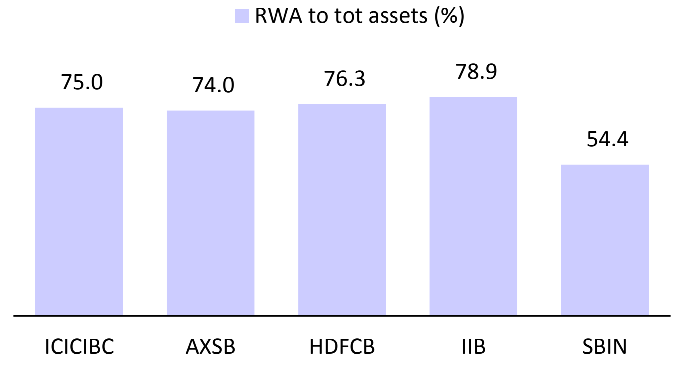
Source: MOFSL, Company

Exhibit 33: RWA density improved to 75% from 84% in FY16



Source: MOFSL, Company

Exhibit 34: RWA density across major peers



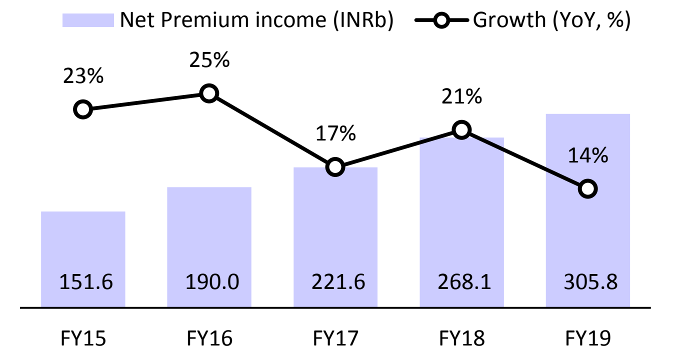
Source: MOFSL, Company

Mixed performance from subsidiaries

ICICI Bank's subsidiaries reported mixed trends over FY19 – capital market business came under pressure, but the insurance business did well. **In Life Insurance business**, the share of the Protection business in total APE improved to 9.3% v/s 5.7% in FY18, while ULIP APE (79.6% of total APE) declined 2.7% in FY19 v/s average 18% growth over the past three years. In **1QFY20**, the share of protection in total APE improved further to 14.6%, while that of ULIP declined to 71.2%**. ICICI Lombard** reported PAT growth of 22% YoY to INR10.5b (15% PAT CAGR over FY14-19), led by a 17% increase in gross written premium (16% CAGR over FY14-19). **ICICI Securities** reported a decline in revenue due to a decrease in equity delivery volumes amidst challenging market conditions. Thus, net revenues declined 7% YoY to INR17.3b, while PAT was also down 11% YoY to INR4.9b. For **ICICI Prudential AMC,** AUM growth was subdued at 5% YoY v/s 26% in FY18. PAT grew 11% YoY to INR6.8b.

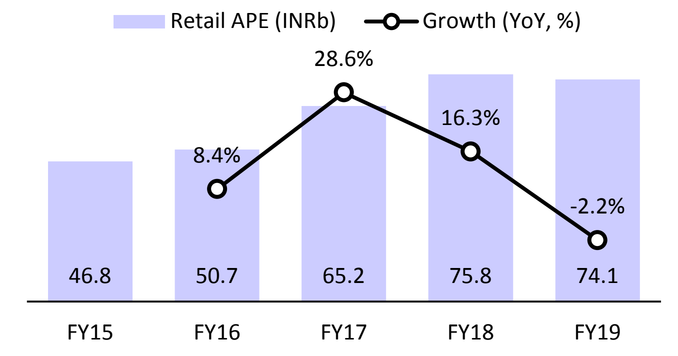
ICICI Prudential Life Insurance: During FY19, IPRU Life reported muted business performance, primarily led by decline in the ULIP business on volatility in the markets. ULIP's APE (79.6% of the total APE) declined 2.7% in FY19 v/s an average 18% growth over the past three years. Growth in the Protection business; however, stood robust (~62% YoY growth during FY19) and the segment's share in the total APE improved 533bp over the past two years to 9.3%. **During 1QFY20, the share of protection in total APE improved further to 14.6% while the share of ULIP declined to 71.2%.**

Exhibit 35: Premium grew at 19% CAGR over FY15-19



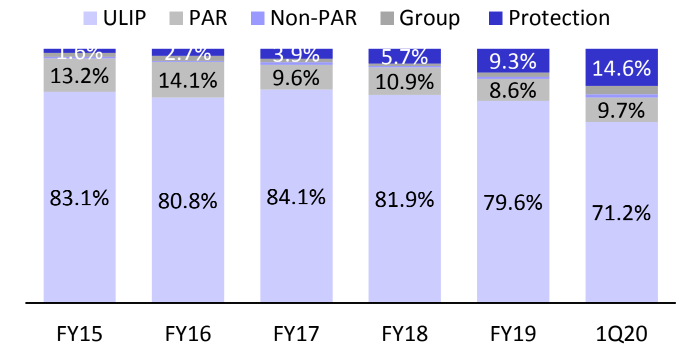
Source: Company, MOFSL

Exhibit 36: Retail APE declined 2.2% YoY during FY19



Source: Company, MOFSL

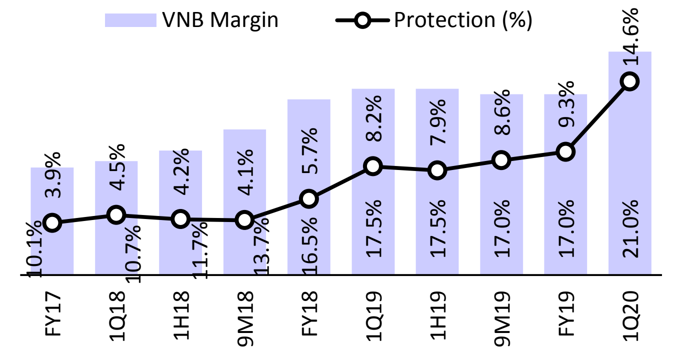
Exhibit 37: Share of ULIP coming down while the share of protection business rising



Note: Based on total APE

Source: Company, MOFSL

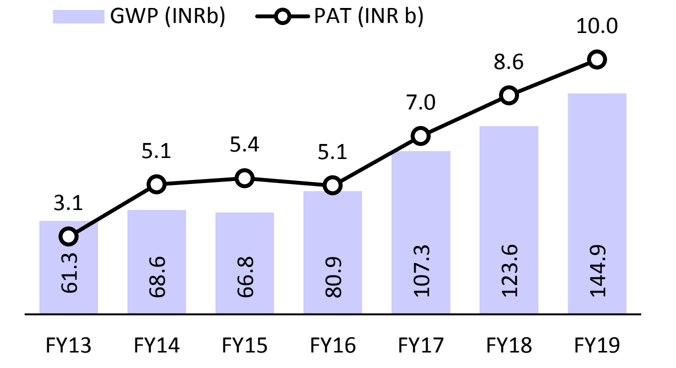
Exhibit 38: Trends in VNB margins and protection mix



Source: Company, MOFSL

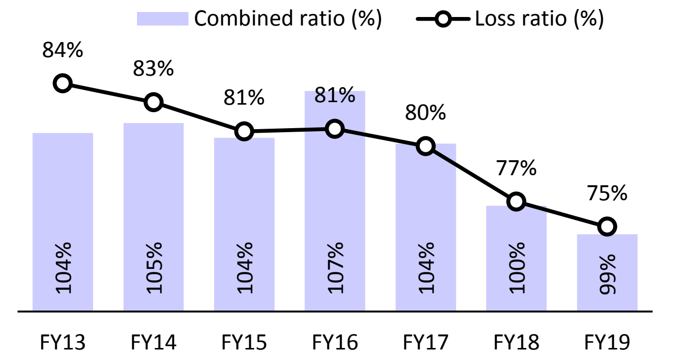
ICICI Lombard General Insurance: ICICI Lombard reported PAT at 22% YoY to INR10.5b (15% PAT CAGR over FY14-19) led by 17% growth in gross written premium (16% CAGR over FY14-FY19). The combined ratio improved to 98.5% vs 100.2% in FY18. The market share in GDPI increased from 8.6% in FY15 to 9.6% in FY19.

Exhibit 39: GWP/PAT grew at 16%/15% CAGR over FY14-19



Source: MOFSL

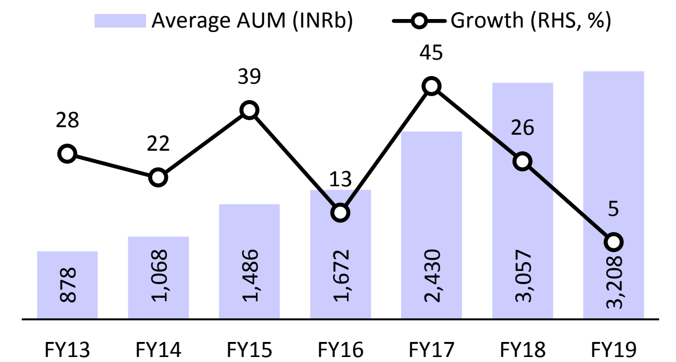
Exhibit 40: Combined/loss ratio trends….



Source: Source: MOFSL

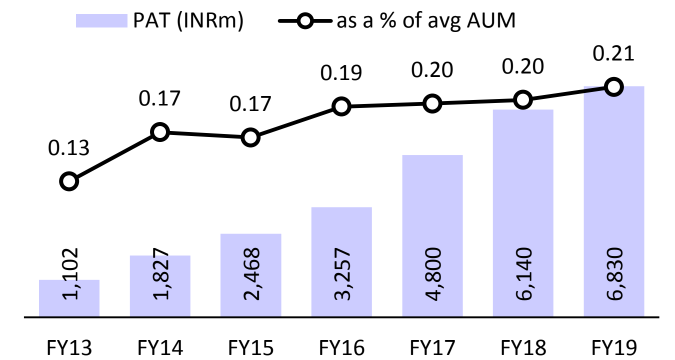
ICICI Prudential Asset Management Co. Ltd: In terms of AUM, IPRU AMC ranks second with an AUM of ~INR3.2t as at Mar'19. IPRU AMC's PAT has grown at 30% CAGR over FY14-19 on the back of 25% AUM CAGR over similar period. PAT as a % of average AUM has expanded from 0.17% in FY13 to 0.21% in FY19. During FY19, the AUM growth was subdued at 5% YoY v/s 26% in FY18 while PAT grew 11% YoY to INR6.8b.

Exhibit 41: IPRU AMC's AUM has grown 25% over FY14-19



Source: Company, MOFSL

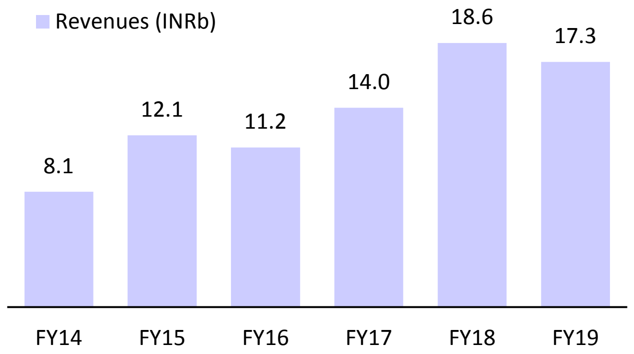
Exhibit 42: PAT has grown at 30% CAGR over FY14-19



Source: Company, MOFSL

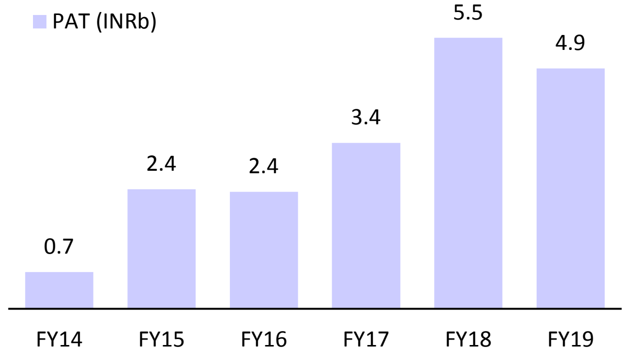
ICICI Securities Ltd: It has leadership position in the equity brokerage space with over 4.4m operational accounts. In the distribution business, it is the second largest non-bank mutual fund distributor with AUM of INR347b. However, FY19 was a challenging year for the equity markets with most brokerage houses reporting decline in revenues due to decrease in equity delivery volumes. Thus, ICICI Securities also reported decline in net profits to INR4.9b vs INR5.5b in FY18.

Exhibit 43: Revenues grew 9% CAGR over FY15-19



Source: Company, MOFSL

Exhibit 44: While PAT grew at 19% CAGR over FY15-19



Source: Company, MOFSL

Valuations and View

- Overall pool of stress loans is showing consistent decline and bulk of the NPA recognition is happening from the earlier disclosed BB and below pool.
- Near term business growth will be driven by retail business and the share of high profit making products (mainly by cross sell) like credit cards, personal loans and business banking is likely to go up.
- Retail business matrix remain healthy with a) average CASA ratio of 43.4% b) retail fees contribute >70% of the total fees c) Higher share of secured loans and continued healthy growth.
- Strong capitalization (Tier-1 of ~14.6%), significant improvement in granularity of book and sustained improvement in liability profile (helping to de-risk business) are the key positives.
- ICICIBC is better placed in a challenging macro environment (economic activity is slowing down and pace of stressed asset formation is posing an upside risk to asset quality), given that it has limited exposure to the newly surfaced stressed names and is well on track to see earnings normalization. However, continued weakness in the lending environment may pose a risk to revival in earnings trajectory. We expect the bank to deliver loan CAGR of 17% over FY19-21 and core RoA/RoE to improve to 1.5%/15.5%. Maintain Buy with an SOTP-based TP of INR520 (2.2x FY21E ABV for the bank). **ICICI Bank remains our top pick in the sector.**

Exhibit 45: ICICI Bank — SOTP-based FY21E

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	**100**	**2,515**	**390**	**74.9**	❖ **2.2x FY21E ABV**
ICICI Prudential Life	53	361	62	11.8	❖ 2.3x FY21 Embedded Value
ICICI Lombard	56	309	48	9.2	❖ 35x FY21E PAT
ICICI Prudential AMC	51	131	20	3.9	❖ 6.0% FY21E AUM
ICICI Securities	79	79	12	2.4	❖ 15x FY21E PAT
ICICI Bank UK	100	38	6	1.1	❖ 1.2x FY21E Net-worth
ICICI Bank Canada	100	35	5	1.1	❖ 1x FY21E Net-worth
Others (Ventures, Home Finance, PD)	100	62	10	1.8	❖ 10% FY21E AUM for ventures, 1.5x/1x FY21E Net-worth for Home finance/PD
Total Value of Ventures		**1,015**	**163**	**31.3**	
Less: 20% holding Discount		203	33	6.3	
Value of Key Ventures (Post Holding Co. Disc)		**812**	**130**	**25.1**	
Target Price Post 20% Holding Co. Disc.		**3,327**	**520**		

Source: MOFSL, Company

Exhibit 46: DuPont Analysis — Return ratio to pick up over FY20/FY21E

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	7.91	7.72	7.26	6.66	6.88	7.18	7.29
Interest Expense	4.84	4.61	4.34	3.87	3.95	4.02	4.04
Net Interest Income	**3.07**	**3.11**	**2.91**	**2.79**	**2.93**	**3.16**	**3.25**
Core Fee Income	1.56	1.56	1.54	1.32	1.26	1.27	1.11
Trading and others	0.41	0.69	1.07	0.79	0.31	0.16	0.31
Non Interest income	**1.96**	**2.24**	**2.61**	**2.11**	**1.57**	**1.43**	**1.42**
Total Income	**5.03**	**5.35**	**5.53**	**4.90**	**4.50**	**4.59**	**4.66**
Operating Expenses	**1.85**	**1.86**	**1.98**	**1.90**	**1.96**	**1.98**	**1.94**
Employee cost	0.77	0.73	0.77	0.72	0.74	0.76	0.74
Others	1.09	1.12	1.21	1.19	1.22	1.23	1.20
Operating Profits	**3.18**	**3.49**	**3.55**	**3.00**	**2.54**	**2.61**	**2.72**
Core operating Profits	**2.77**	**2.80**	**2.48**	**2.21**	**2.23**	**2.45**	**2.41**
Provisions	**0.63**	**1.71**	**2.04**	**2.10**	**2.13**	**0.75**	**0.60**
NPA	0.51	1.06	1.97	1.73	1.82	0.74	0.56
Others	0.12	0.65	0.07	0.37	0.31	0.02	0.04
PBT	**2.55**	**1.78**	**1.51**	**0.90**	**0.41**	**1.85**	**2.12**
Tax	0.75	0.36	0.20	0.08	0.04	0.57	0.66
RoA	**1.80**	**1.42**	**1.31**	**0.82**	**0.36**	**1.28**	**1.47**
Leverage	8.1	8.2	8.1	8.3	8.9	9.4	9.8
RoE	**14.5**	**11.6**	**10.7**	**6.8**	**3.2**	**12.0**	**14.4**
Core RoE	**17.2**	**13.4**	**12.1**	**7.6**	**3.6**	**13.2**	**15.5**

Source: MOFSL, Company

Financials and Valuations

Income Statement							(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	490.9	527.4	541.6	549.7	634.0	742.5	868.9
Interest Expended	300.5	315.2	324.2	319.4	363.9	415.7	481.7
Net Interest Income	**190.4**	**212.2**	**217.4**	**230.3**	**270.1**	**326.8**	**387.2**
Growth (%)	15.6	11.5	2.4	5.9	17.3	21.0	18.5
Other Income	121.8	153.2	195.0	174.2	145.1	148.0	168.7
Total Income	**312.2**	**365.5**	**412.4**	**404.5**	**415.3**	**474.9**	**556.0**
Growth (%)	16.0	17.1	12.8	-1.9	2.7	14.3	17.1
Operating Exp.	115.0	126.8	147.6	157.0	180.9	205.1	231.6
Operating Profits	**197.2**	**238.6**	**264.9**	**247.4**	**234.4**	**269.8**	**324.4**
Growth (%)	18.8	21.0	11.0	-6.6	-5.3	15.1	20.3
Core PPP	**181.7**	**200.7**	**178.6**	**189.5**	**221.0**	**253.7**	**306.7**
Growth (%)	14.8	10.4	-11.0	6.1	16.6	14.8	20.9
Provisions & Cont.	39.0	116.7	152.1	173.1	196.6	78.0	71.2
PBT	**158.2**	**122.0**	**112.8**	**74.3**	**37.8**	**191.8**	**253.2**
Tax	46.5	24.7	14.8	6.6	4.1	59.4	78.5
Tax Rate (%)	29.4	20.2	13.1	8.8	10.9	31.0	31.0
PAT	**111.8**	**97.3**	**98.0**	**67.8**	**33.6**	**132.3**	**174.7**
Growth (%)	13.9	-13.0	0.8	-30.9	-50.4	293.4	32.0

Balance Sheet							
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	12.8	12.8	12.8	12.9	12.9	12.9	12.9
Reserves & Surplus	791.5	884.6	979.0	1,038.7	1,070.8	1,167.7	1,300.0
Net Worth	**807.8**	**900.9**	**995.3**	**1,051.6**	**1,083.7**	**1,180.6**	**1,312.9**
Deposits	**3,615.6**	**4,214.3**	**4,900.4**	**5,609.8**	**6,529.2**	**7,573.9**	**8,899.3**
Growth (%)	8.9	16.6	16.3	14.5	16.4	16.0	17.5
Of which CASA Deposits	**1,643.8**	**1,931.0**	**2,468.2**	**2,899.3**	**3,239.4**	**3,544.6**	**4,271.7**
Growth (%)	15.5	17.5	27.8	17.5	11.7	9.4	20.5
Borrowings	1,720.7	1,744.6	1,472.1	1,828.6	1,653.2	1,860.6	2,115.1
Other Liabilities & Prov.	317.2	347.3	350.1	302.0	378.5	423.9	474.8
Total Liabilities	**6,461.3**	**7,207.0**	**7,717.9**	**8,791.9**	**9,644.6**	**11,039.0**	**12,802.1**
Current Assets	423.0	598.7	757.1	841.7	803.0	920.8	1,048.5
Investments	**1,581.3**	**1,604.1**	**1,615.1**	**2,029.9**	**2,077.3**	**2,388.9**	**2,771.2**
Growth (%)	-10.7	1.4	0.7	25.7	2.3	15.0	16.0
Loans	**3,875.2**	**4,352.6**	**4,642.3**	**5,124.0**	**5,866.5**	**6,805.1**	**8,030.0**
Growth (%)	14.4	12.3	6.7	10.4	14.5	16.0	18.0
Net Fixed Assets	**47.3**	**75.8**	**78.1**	**79.0**	**79.3**	**84.9**	**92.5**
Total Assets	**6,461.3**	**7,207.0**	**7,717.9**	**8,791.9**	**9,644.6**	**11,039.0**	**12,802.1**
Asset Quality							
GNPA	150.9	262.2	425.5	540.6	462.9	430.6	422.0
NNPA	62.6	129.6	256.1	278.9	135.8	113.0	114.0
GNPA Ratio (%)	3.8	5.8	8.8	10.0	7.5	6.0	5.1
NNPA Ratio (%)	1.6	3.0	5.4	5.4	2.3	1.7	1.4
Slippage Ratio (%)	2.4	4.3	8.0	6.1	2.0	1.9	1.8
Credit Cost (%)	0.9	1.8	3.3	2.9	3.1	1.2	0.9
PCR (Excl Technical write off) (%)	58.6	50.6	39.8	48.4	70.7	73.8	73.0

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Yield and Cost Ratios (%)							
Avg. Yield - Earning Assets	**8.9**	**8.9**	**8.3**	**7.7**	**7.9**	**8.2**	**8.2**
Avg. Yield on loans	9.8	9.5	8.8	8.4	8.7	8.9	8.9
Avg. Yield on Investments	6.3	6.7	7.1	6.3	6.2	6.6	6.8
Avg. Cost-Int. Bear. Liab.	**5.9**	**5.6**	**5.3**	**4.6**	**4.7**	**4.7**	**4.7**
Avg. Cost of Deposits	5.9	5.5	5.0	4.5	4.4	4.6	4.5
Interest Spread	**3.5**	**3.6**	**3.4**	**3.0**	**3.3**	**3.5**	**3.5**
Net Interest Margin	**3.5**	**3.6**	**3.3**	**3.2**	**3.4**	**3.6**	**3.7**
Capitalisation Ratios (%)							
CAR	17.0	16.6	17.4	17.9	16.9	16.4	15.4
Tier I	12.8	13.1	14.4	15.6	15.1	14.8	14.0
Tier II	4.2	3.6	3.0	2.3	1.8	1.6	1.4
Business and Efficiency Ratios (%)							
Loan/Deposit Ratio	107.2	103.3	94.7	91.3	89.8	89.8	90.2
CASA Ratio %	45.5	45.8	50.4	51.7	49.6	46.8	48.0
Cost/Assets	1.8	1.8	1.9	1.8	1.9	1.9	1.8
Cost/Total Income	36.8	34.7	35.8	38.8	43.6	43.2	41.6
Cost/Core Income	38.7	38.7	45.2	45.3	45.0	44.7	43.0
Int. Expended/Int.Earned	61.2	59.8	59.9	58.1	57.4	56.0	55.4
Other Inc./Net Income	39.0	41.9	47.3	43.1	34.9	31.2	30.4
Empl. Cost/Op. Exps.	41.3	39.4	38.9	37.7	37.6	38.2	38.2

Valuation	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
RoE (%)	14.5	11.6	10.7	6.8	3.2	12.0	14.4
Core RoE (%)	17.2	13.4	12.1	7.6	3.6	13.2	15.5
RoA (%)	1.8	1.4	1.3	0.8	0.4	1.3	1.5
RoRWA (%)	2.1	1.7	1.6	1.1	0.5	1.7	1.9
Book Value (INR)	138.7	151.6	168.7	161.0	165.5	180.5	201.0
BV Growth (%)	9.4	9.3	11.3	-4.6	2.8	9.1	11.4
Price-BV (x)	**1.9**	**1.8**	**1.6**	**1.7**	**1.6**	**1.5**	**1.3**
Adjusted Book Value	111.3	117.1	120.2	115.3	135.5	153.8	174.9
ABV Growth (%)	10.0	5.2	2.7	-4.0	17.5	13.5	13.7
Adjusted Price-ABV (x)	**2.4**	**2.3**	**2.2**	**2.3**	**2.0**	**1.8**	**1.5**
Consol Book Value (INR)	146.1	161.8	179.6	172.1	177.2	201.7	234.0
BV Growth (%)	10.4	10.8	11.0	-4.2	3.0	13.8	16.0
Price-Consol BV (x)	**2.7**	**2.4**	**2.2**	**2.3**	**2.2**	**2.0**	**1.7**
EPS (INR)	19.3	16.7	16.8	11.1	5.2	20.5	27.1
EPS Growth (%)	13.6	-13.3	0.5	-34.3	-52.8	292.8	32.0
Adj. Price-Earnings (x)	**14.0**	**16.1**	**16.0**	**24.4**	**51.7**	**13.2**	**10.0**
Dividend Per Share (INR)	4.5	4.5	4.0	2.3	1.5	5.5	6.6
Dividend Yield (%)	**1.1**	**1.1**	**1.0**	**0.6**	**0.4**	**1.4**	**1.7**

E: MOFSL Estimates

NOTES

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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