

Strong operating performance

ICICI Bank (ICICIB) reported better than expected performance in Q1FY21 with NII up 19.9/4% YoY/QoQ and Core PPOP up 14.8% YoY. Loan growth moderation (up 6.5% YoY), NIM pressure at 3.7% on higher liquidity and muted fee income was largely expected. Improvement in C-I to 30.1% from 43.7/43.9% YoY/QoQ and jump in treasury gains further aided earnings increase of 36.2/112.8% YoY/QoQ. Slippage ratio at 0.7% and 290bps increase in provision coverage ratio to 78.5% brought NNPA lower by 14% QoQ (1.2% vs. 1.4% in FY20). Moratorium came down to 17.5% from 30% QoQ but remains higher than peers (morat ~9%). However, ICICIB has upped its provisioning (+2%) which provides comfort. Further, strong growth in deposit franchise will support. We remain positive on the stock and maintain Buy with target price of Rs 480 (SOTP basis core book at 1.8x FY22E and Rs 134 Subs. Value).

Key Concall Takeaways

- Moratorium book at 17.5% from 30% in April 20. About 90% of portfolio under moratorium at June end comprises loans that were also under moratorium at May end. While moratorium across the book is not very divergent, commercial vehicles and builder loans have higher percentage of moratorium.
- Almost 60% of the CV book comes from long vintage customers who are well seasoned with the business cycle.
- Proposed capital raising plans are to strengthening capital positioning and competitive landscape. Management believes that growth opportunities continue to exist and want to be competitively placed to capture these opportunities. CET 1 remains healthy at 13.6%.
- Loan growth moderated to 6.5% YoY with domestic loan growth at 10% YoY. Within domestic, retail loans grew 11% YoY with housing loan growth at 9% YoY. Personal loans and credit cards declined 4% QoQ but on a YOY stays as fastest growing segment at 22%. Domestic corporate loans were up 5% YoY and declined 1% QoQ.
- Overseas loan declined 13% QoQ and 21% YoY and now forms less than 8% of overall loans. Risk weighted assets to overall assets declined to 67% vs. 69% in FY20 and 75% in 1QFY21.
- Bank monetised 1.5% and 4% stake in its life and general insurance subsidiaries to further strengthen the balance by ~Rs 30bn, which is reflected in treasury income.
- On reported basis ICICIB's loan spread improved 20bps QoQ to 4.7% but NIMs compressed 18bps QoQ. Sharp increase in build-up of excess liquidity has impacted NIMs.

Key Financials (Standalone)

(Rs. mn)	FY19	FY20	FY21E	FY22E
NII	2,70,148	3,32,671	3,86,486	4,10,288
PPOP	2,34,379	2,81,013	3,15,522	3,39,853
Net Profit	33,633	79,308	1,35,280	1,63,188
EPS (Rs.)	5.2	12.3	20.9	25.2
ABV	138.2	155.0	171.0	192.2
P/ABV	2.3	2.5	2.2	1.8
ROAA	0.4	0.8	1.2	1.3
NNPA (%)	2.06	1.60	1.43	1.20

Source: Company, Axis Research

(CMP as of Jul 24, 2020)

CMP (Rs)	382
Upside /Downside (%)	26%
High/Low (Rs)	552/269
Market cap (Cr)	247292
Avg. daily vol. (6m) Shrs.	1,44,31,961
No. of shares (Cr)	647.6

Shareholding (%)

	Jun-20	Mar-20	Dec-19
Promoter	0.0	0.0	0.0
FIs	35.1	35.3	36.2
MFs / UTI	23.1	22.3	20.5
Banks / FIs	0.1	0.1	0.1
Others	41.6	42.2	43.3

Financial & Valuations

Y/E Mar (Rs. mn)	2020	2021E	2022E
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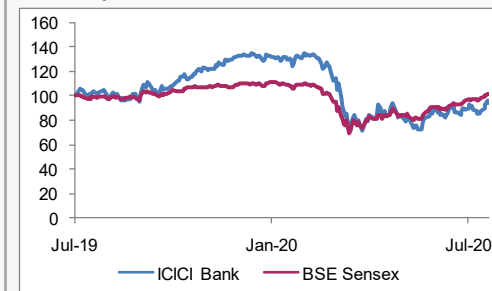
Change in Estimates (%)

Y/E Mar	FY21E	FY22E
NII	-	-
PPOP	-	-
PAT	-	-

Axis vs Consensus

EPS Estimates	2021E	2022E
Axis	20.9	25.2
Consensus	25.4	32
Mean Consensus TP (12M)		521.7

Relative performance



Source: Capitaline, Axis Securities

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Key Concall Takeaways

On Retail

- While business in April/May was virtually nil, there was pick-up in June and improvement is expected through the year. Home/Auto loan disbursements dropped by 65% while Personal loans/Commercial business disbursements were down 85% over Q4FY20. Bank is incrementally only focused on sourcing to existing customers.
- Under Mortgage, Home loan is 70%, LAP is 17%, top up loans to existing customers are 8% and loans for office premise is 5%. Nearly 70% of mortgage customers have liability relationship with bank. Moreover, book is granular with average ticket size of Rs 3.5m and LTVs are low. For home loan/LAP LTV is 65%/55%
- Unsecured is only 9% of book with ~70% have existing liability relationship with bank. 85% of this book comprises of salaried customers with top rated corporates.
- Rural banking is 9% of the book and includes gold loan of 3% (32% YoY growth), KCC loans of 3%. Disbursement has picked up and is close to pre-covid levels now.
- Auto loan is 5% of book. Wholesale billing has improved to 50% pre-covid levels and retail enquires are now 70-80% of pre-covid times. Disbursement volume in June was 65% of pre-covid with 87/13% share of new/old vehicle.

On Corporate and SME banking

- Corporate book is ~39.5% of book (including non-fund it is 45.6%). SME comprises of loans to entities with turnover less than Rs 2.5b, is 3% of overall book. As bank continues to focus on granularity, ATS has almost halved compared to previous years
- Builder pool: Rs 218bn which is 3% of loans is granular and to well establish entities. Nearly 12% of this book is either BB & Below or NPL.
- Overseas book break up - 63% to Indian corporate & their subs, 17% non-India companies this pool is well rated, 7% NRI owned companies and 13% other non-Indian companies.
- Business banking is 4% of loan with avg. ticket size of Rs 10-15m, is fully collateralized with 85% book having collateral cover above 1x. Bank has added more filters post the outbreak to strengthen its criteria. Collections has improved month on month and reached 80% pre-covid level in June as team contacts nearly 4000 customers daily.

Others

- LCR was 146% during the quarter; bank has reduced SA/TD rates in various buckets by 50bps each during the quarter.
- Under MSME guarantee scheme, bank sanctioned Rs 50bn to 19k borrowers

Change in FY22 Estimates

(Rs mn)

	Revised		Old		%Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
NII	3,86,486	4,10,288	3,86,486	4,10,288	0.0	0.0
PPOP	3,15,522	3,39,853	3,15,522	3,39,853	0.0	0.0
PAT	1,35,280	1,63,188	1,35,280	1,63,188	0.0	0.0
EPS	20.9	25.2	20.9	25.2	0.0	0.0

Source: Company, Axis Research

Valuation & Outlook

While the morat number of 17.5% is comparatively higher than peers (~9%), we expect provisioning to be adequate. We expect higher provisioning over FY21/22E cushioned by strong deposit franchise, loan mix and healthy capital adequacy. Subsidiaries' performance was good in Q1FY21. We believe valuations are undemanding for the stock given strong liability franchise and leveraging opportunities across group products. We have revised subsidiary value on account of the stake sale. We remain positive on the stock and maintain BUY with SOTP of Rs 480 (1.8x Core ABV FY22E and Subsidiaries value at 134/-)

ICICI Bank SOTP

	Per Share	
ICICI Bank Parent	346	1.8x FY22E ABV
ICICI Pru Life	55	17% APE CAGR FY19-22E; NBAP Margin at 16%.
ICICI Lombard	41	26x P/E FY22E
ICICI AMC	29	8% of FY22E AUM
ICICI UK	8	1x FY22E BV
ICICI Canada	10	1x FY22E BV
ICICI Housing Finance	5	1x FY22E ABV
ICICI Sec	12	16x FY22E PAT
Others	8	I Ventures and others
Total Val of Sub.	167	
Less: 20% holding discount	33	
Net Value of Sub.	134	
Total Value	480	

Source: Company, Axis Securities

Result Update (Standalone)

(Rs mn)

Y/E March	Q1FY21	Q1FY20	% YoY	Q4FY20	% QoQ
Net Interest Income	92,798	77,374	19.9	89,269	4.0
Non Interest Income	61,426	34,254	79.3	42,550	44.4
<i>Treasury income</i>	37,630	1,790	2002.2	2,420	1455.0
Operating expenses	46,459	48,744	-4.7	57,918	-19.8
<i>Staff Cost</i>	21,661	19,533	10.9	22,345	-3.1
Pre provision profits	1,07,765	62,885	71.4	73,901	45.8
Provisions and contingencies	75,940	34,957	117.2	59,674	27.3
PBT	31,825	27,927	14.0	14,227	123.7
Provision for Tax	5,834	8,847	-34.1	2,013	189.8
PAT	25,992	19,080	36.2	12,214	112.8
Deposits (Rs bn)	7941	6607	20.2	7710	3.0
Advances (Rs bn)	6312	5924	6.5	6453	-2.2
CD ratio (%)	79	90		84	
Reported NIM (%)	3.69	3.85		3.87	
Cost-Income ratio (%)	30.1	43.7		43.9	
CAR	16.4	16.2		16.1	
Gross NPAs (%)	5.46	6.49		5.53	
Net NPAs (%)	1.23	1.77		1.41	
Delinquency ratio (%)	0.7	1.9		3.3	

Financials (Standalone)
Profit & Loss

(Rs mn)

Y/E March	FY19	FY20	FY21E	FY22E
Interest Earned	634,012	747,983	803,421	858,167
Interest Expended	363,864	415,313	416,935	447,880
Net Interest Income	270,148	332,671	386,486	410,288
Other Income	145,122	164,486	144,716	158,591
Total Income	415,270	497,157	531,202	568,878
Total Operating Exp	180,891	216,144	215,680	229,025
<i>Employee Expense</i>	<i>68,082</i>	<i>82,712</i>	<i>83,491</i>	<i>87,114</i>
PPOP	234,379	281,013	315,522	339,853
Provisions & Contingencies	196,611	140,532	135,149	122,270
PBT	37,768	140,480	180,373	217,584
Provision for Tax	4,135	61,172	45,093	54,396
PAT	33,633	79,308	135,280	163,188

Source: Company, Axis Securities

Balance Sheet

(Rs mn)

Y/E March	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS				
Share Capital	12,895	12,948	12,948	12,948
Reserves	1,070,739	1,152,062	1,249,810	1,377,480
Shareholder's Funds	1,083,634	1,165,009	1,262,757	1,390,428
Total Deposits	6,529,197	7,709,690	8,487,658	9,414,024
Borrowings	1,653,246	1,629,003	1,563,844	1,579,482
Other Liabilities & Provisions	378,515	479,950	551,942	634,734
Total Liabilities	9,644,591	10,983,652	11,866,201	13,018,667
APPLICATION OF FUNDS				
Cash & Bank Balance	802,963	1,191,557	1,222,686	1,253,280
Investments	2,077,327	2,495,315	2,749,236	3,090,792
Advances	5,866,466	6,452,900	6,897,448	7,625,460
Fixed Assets	79,314	84,103	86,205	88,361
Other Assets	818,522	759,777	910,625	960,774
Total Assets	9,644,591	10,983,652	11,866,201	13,018,667

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY19	FY20	FY21E	FY22E
VALUATION RATIOS				
EPS	5.2	12.3	20.9	25.2
Earnings growth (%)	(50.4)	135.8	70.6	20.6
BVP	168.1	180.0	195.1	214.8
Adj. BVPS	138.2	155.0	171.0	192.2
ROAA (%)	0.36	0.77	1.18	1.31
ROAE (%)	3.2	7.1	11.1	12.3
ROAE (%) (Core)	2.3	6.3	10.6	11.7
P/E (x)	61.1	31.0	18.2	13.9
P/ABV (x)	2.31	2.45	2.22	1.82
P/PPOP (x)	2.1	1.8	1.6	1.5
Dividend Yield (%)	0.3	-	0.3	0.3
PROFITABILITY				
Yield on Advances (%)	8.7	9.3	9.7	9.4
Yield on Investment (%)	6.2	5.0	5.0	5.0
Cost of Funds (%)	4.7	4.7	4.3	4.3
Cost of Deposits (%)	4.4	4.1	3.2	3.1
Core Spread (%)	4.1	4.6	5.4	5.1
NIM (%)	3.4	3.7	3.8	3.7
OPERATING EFFICIENCY				
Cost/Avg. Asset Ratio (%)	2.0	2.1	1.9	1.8
Cost-Income Ratio (Excl Treasury)	45.0	44.6	41.6	41.2
	16.9	17.1	16.1	15.7
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	14.5	10.0	6.9	10.6
Deposit Growth (%)	16.4	18.1	10.1	10.9
C/D Ratio (%)	89.8	83.7	81.3	81.0
Equity/Assets (%)	11.2	10.6	10.6	10.7
Equity/Advances (%)	18.5	18.1	18.3	18.2
CASA (%)	49.6	45.1	42.7	40.6
Capital Adequacy Ratio (CAR)	16.9	16.1	15.6	15.6
ASSET QUALITY				
Gross NPLs (Rsm)	462,900.0	414,060.0	419,509.8	403,647.0
Net NPLs (Rsm)	129,377.3	101,140.0	98,368.6	91,604.6
Gross NPLs (%)	6.7	5.5	6.1	5.3
Net NPLs (%)	2.1	1.6	1.4	1.2
Coverage Ratio (%)	72.1	75.6	76.6	77.3
Provision/Avg. Loans (%)	3.1	2.3	2.0	1.7
ROAA TREE				
Net Interest Income	2.93%	3.23%	3.38%	3.30%
Non Interest Income	1.57%	1.59%	1.27%	1.27%
Treasury Income	0.15%	0.13%	0.11%	0.10%
Operating Cost	1.96%	2.10%	1.89%	1.84%
Provisions	2.13%	1.36%	1.18%	0.98%
Provisions for NPAs	1.82%	1.36%	1.17%	0.96%
Tax	0.04%	0.59%	0.39%	0.44%
ROAA	0.36%	0.77%	1.18%	1.31%
Leverage (x)	8.63	9.17	9.41	9.38
ROAE	3.15%	7.05%	11.14%	12.30%

Source: Company, Axis Securities

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