

Pick of the Week



ICICI Bank

Analyst: MB Mahesh, CFA/ Nischint Chawathe/ Dipanjan Ghosh/ Shrey Singh (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
342	430	25.7%	384 / 257	2203726

Key Highlights:

- ICICI Bank reported PAT of Rs 16 bn in 3QFY19 (down 3% YoY) led by robust NII growth (21% YoY) but offset by elevated credit cost.
- ICICI Bank reported another quarter of steady improvement in most operating metrics. Slippages have moved to normalized levels (1.5% of loans), gross NPL ratio is at a two-year low while net NPL ratio is at a three-year low.
- The bank reported its third consecutive quarter of improvement in headline NPL ratios. Importantly, gross NPLs declined 80 bps QoQ to 8.5% of loans, a two-year low while net NPL declined 120 bps QoQ to 2.9% of loans, a three-year low. Slippages have normalized to 1.5% of loans, which is at an 18-quarter low.
- Slippages for the quarter were low at 1.5% of loans (lowest in the past 18 quarters) as compared to 2.4% of loans in 2QFY19 and 3.6% of loans in 2QFY18. 51% of gross slippages came from the retail portfolio whereas the rest was from the corporate and SME book.
- Loan growth maintained steady pace of growth at 12% YoY in 3QFY19. Muted loan growth on the domestic corporate lending side remains a drag as there is a large share of loans that the bank is looking to reduce its exposure. On the corporate side, domestic corporate loans saw flat YoY growth.
- Deposit growth was strong at 17% YoY in 3QFY19 led by robust improvement in CASA. The growth in CASA at 15% YoY in 3QFY19 was led by 18% steep rise in CA and modest 13% increase in SA. CASA ratio dropped 150 bps QoQ to 49% though it remains one of the best in the industry.
- The bank intends to reduce net NPL ratio to below 1.3% by FY2020 with provision coverage ratio of 78% (excluding write-offs). We expect slippages to decline to ~2.3% in FY2019E and 1.4% in FY2020-21E.
- We see scope for valuations to re-rate as investors are getting firm visibility in improvement in asset quality and recovery in RoEs. We retain our view of ICICI Bank as one of our top picks to ride the corporate recovery cycle.

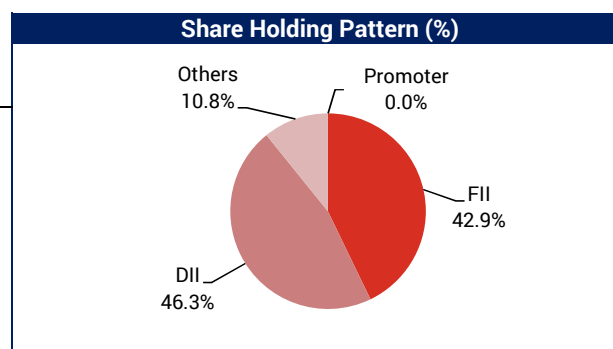
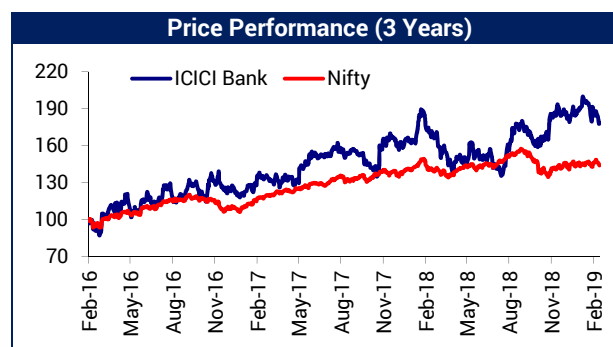
Financials (Rs mn)*	FY18	FY19E	FY20E
Net Interest Income	230,258	265,612	316,100
Non-interest Income	174,196	147,118	173,360
Total Income	404,455	412,731	489,460
Growth (%)		2.0%	18.6%
PBT	93,119	71,553	244,492
Net profit	86,549	53,665	173,590
EPS (Rs)	13.5	8.3	27.0
Book Value (Rs)	149.0	170.0	191.0
P/B (x)	2.5	2.2	1.9

Slippages (%)	6.2%	2.3%	1.4%
Gross NPL (%)	9.5%	7.2%	5.5%
Net NPL (%)	5.4%	2.4%	1.3%
ROE (%)	8.3%	5.0%	15.0%
RoA (%)	1.1%	0.6%	1.8%

Source: Kotak Institutional Equities; *Consolidated

Financials (Rs mn)*	9M-FY18	9M-FY19	% Chg
Net Interest Income	170,042	193,947	14.1%
Non-Interest Income	117,410	108,912	-7.2%
Total Income	287,452	302,859	5.4%
PBT	65,459	29,948	-54.2%
PAT	57,570	23,942	-58.4%
Slippages (%)	4.0%	2.4%	

Source: Kotak Institutional Equities; *Consolidated



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FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Nipun Gupta Information Tech, Midcap nipun.gupta@kotak.com +91 22 6218 6433	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6423
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Cyndrella Carvalho Pharmaceuticals cyndrella.carvalho@kotak.com +91 22 6218 6426	Ledo Padinjarathala Research Associate ledo.padinjarathala@kotak.com +91 22 6218 7021
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350 +91 22 62185499	Faisal Shaikh, CFTe Research Associate faisalf.shaikh@kotak.com +91 22 62185498	Siddhesh Jain Research Associate siddhesh.jain@kotak.com
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DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6625 9810
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