

# Pick of the week



## ICICI BANK LIMITED

### Recommendation

**Buy**

### Time Period

**12 Months**

### Current Price

**₹ 346**

### Target Price

**₹ 615**

### Potential Upside

**77.7 %**

## Investment Argument

- ICICI Bank reported solid recovery in earnings led by sharp decline in provisions. ICICI Bank posted 2.5X yoy earnings growth on the back of 23% yoy growth in operating profits and ~50% yoy decline in provisions.
- ICICI bank had positives 1) Loan growth steady (13% yoy) with NIM expansion 2) Fee income trends impressive( 17% YoY) 3) Asset quality showed improvement 4) RoEs touch 15%. However, there were slippages higher in retail and corporate loans.
- Slippages were elevated in 3QFY20 from both retail and corporate loans. Slippages from the KCC portfolio were at Rs3.1 bn (compared to Rs1.9 bn in 3QFY19). The company has seen no major signs of stress in any other retail segment. Corporate slippages of Rs24.7 bn (~4.2% of corporate loans) were mainly from outside the 'BB and below' book (~70% of corporate slippages) and were largely driven by stock broking account (fully provided during the quarter) and a South India-based industrial account.
- KIE Forecast - Net NPL to reduce to ~1% by FY22E with slippages of ~1.7% in FY21-22E. Loan growth to improve to ~17% by FY21-22E. CASA CAGR of ~13% over FY19-22E and stable CASA ratio of ~46% over FY20-22E. Calculated Net interest Margin (NIM) of ~3.6% over FY20-22E.
- KIE believes ICICI bank's RoE well positioned for ~15% + in medium term. They have a positive view and value the bank at Rs. 615 implying 2.4X book and 15X Dec FY21 EPS.