

On the path to a strong recovery

ICICI Bank Ltd's September quarter (Q2) results surprised on other key parameters. For instance, the bank's provisions were lower than anticipated, slippages hit a 12-quarter low and overall loan growth was steady. Also, the sequential moderation in gross and net non-performing assets (NPAs) provides some respite. Apart from worries on the asset quality front, a key concern for investors in the ICICI Bank Ltd stock lately has been transition at the management level. That overhang is now largely out of the way. Although the bank's net interest margins (NIMs) improved to 3.33% from 3.19% in the previous quarter, margins were aided by excess liquidity that was deployed during the quarter.

Investors need to watch the trend in NIMs also because the bank's management expects funding costs to go up and cautions that NIMs may come under pressure. Further, overseas margins could be volatile as recoveries from non-performing loans happen in the overseas book, the management said.

Continued Strong Operating Performance For Q2 – 2019

- Domestic NIM MAINTAINED > 3.5%
- 16.5% y-o-y growth in fee income
- 10.3% y-o-y growth in core operating profit

Improving Asset Quality Trends

- Net NPA ratio declined to 3.65%
- 480 bps sequential increase in provision coverage ratio to 58.9%

Valuation

The financial and business performance of ICICI Bank has witnessed a sea change in the last few quarters. The NIM has witnessed a good improvement, slippages have moderated, thrust on retail loans has increased and the CASA has improved substantially. The Bank is set to embark on a fresh journey with strong recoveries and technology thrust. Based on the above factors we feel the stock is ripe for a re-rating. Accordingly we value the same at 3 times P/BV implying a valuation of Rs 480 per share

Prices	
CMP (Rs)	378
Target (Rs)	480
Target (%)	26%
Stop Loss (Rs)	327 (closing basis)
Time Horizon	6-9 mnths

Key Data	
NSE Code	ICICIBANK
52-week range (H/L)	381.80/256.50
30-day avg. volume	17,120,658
Market Cap (Rs. crs)	2,44,880
No. of shares (crs)	644.08
Face Value	2
Book Value (cons.)	167
EPS (FY-18)	11.97
P/E (x)	31.76
Sales (Rs. crs)	118969
Net Profit (Rs. crs)	7712
EBITDA (Rs. crs)	70669
ROE (%)	8.70%
Div. Yield (%)	0.54%

Price Performance (%)	1M	3M	1Yr
Absolute	10.2	19.4	22.9
Rel. to Nifty	6.7	15.7	19.3

Shareholding Pattern (Jun-18)	
Promoters	0.00%
FII's	59.19%
DII's	33.03%
Govt.	0.20%
Public & Other	7.58%

Credit growth The year-on-year growth in domestic advances was 16% at September 30, 2018. The Bank has continued to leverage its strong retail franchise, resulting in a year-on-year growth of 20% in the retail portfolio at September 30, 2018. The retail portfolio constituted about 57% of the loan portfolio of the Bank at September 30, 2018.

Deposit growth CASA deposits increased by 15% year-on-year to ` 283,548 crore (US\$ 39.1 billion) at September 30, 2018. The Bank's CASA ratio was 50.8% at September 30, 2018 compared to 50.5% at June 30, 2018 and 49.5% at September 30, 2017.

Capital adequacy The Bank's total capital adequacy at September 30, 2018 as per Reserve Bank of India's guidelines on Basel III norms was 17.84% and Tier-1 capital adequacy was 15.38% compared to the regulatory requirements of 11.03% and 9.03% respectively

Movement Of NPA: ICICI Bank Slippages Moderate Sharply				
(Rs billion)	FY 2018	Q2 - 2018	Q1 - 2019	Q2 - 2019
Opening Gross NPA	425.52	431.48	540.63	534.65
Add: Gross Additions	287.30	46.74	40.36	31.17
Less: Recoveries & Upgrades	81.07	10.29	20.36	10.06
Net Additions	206.23	36.45	20.00	21.11
Less: Write Offs & Sales	91.12	23.04	25.98	10.87
Closing Gross NPA's	540.63	444.89	534.65	544.89
Gross NPA Ratio	8.84%	7.87%	8.81%	8.54%

Portfolio Composition Over The Years						
% Of Total Advances	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	30-Jun-18	30-Sep-18
Retail	42.4%	46.6%	51.8%	56.6%	57.5%	57.3%
Domestic Corporate	28.8%	27.5%	27.3%	25.8%	25.4%	25.4%
SME	4.4%	4.3%	4.8%	5.0%	4.7%	4.6%
International	24.3%	21.6%	16.1%	12.6%	12.5%	12.7%
Total Advances (Rs billion)	3875	4353	4642	5124	5163	5445

ICICI Bank - Scale & Strength	
Consolidated Assets	11 trillion
Core Operating Profit in Q2 2019	52.85 bn
Average CASA for Q2 2019	47.1%
% of Retail Loans & Advances	57.3%
Tier -1 Capital Adequacy	15.38%
Extensive Branch + ATM Network	19,284



Technical Analysis



Weekly chart of ICICIBANK appended suggests the stock has been moving within a long-term upward trending channel and has recently breached its previous all-time high price to move towards a new 52-week high range. This indicates a strong bull trend for the underlying with further gains following through in the coming weeks. Momentum readings on various oscillators and indicators are in bullish trending mode aiding the overall price setup. Tracing the long-term trend channel we get a target of Rs480 on the stock.

GRAB

ICICIBANK IN Equity 95 View 90 Edit Seasonality Chart

Last Price INR Spread <Type security> Last Price High/Low/Avg

10 Years Ending 2018 Percent Change Net Change

Calendar Year	Trailing 12M	01-Jan	31-Dec	Monthly	Line	Heat Map	Securities/Lines	Map Options				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	12.40	-11.25	-11.14	2.10	.56	-3.64	10.48	12.60	-10.81	16.18	.04	1.41
2017	5.85	2.75	.18	.60	17.22	-2.23	4.29	-1.50	-7.20	8.50	2.48	2.10
2016	-11.04	-12.47	24.57	.13	3.25	-1.68	0.29	-1.86	-2.27	9.88	-4.15	-3.86
2015	2.15	-1.03	-8.85	1.36	-1.20	-2.92	-1.82	-8.10	-2.72	2.76	-.81	-1.88
2014	10.11	5.68	29.27	.13	14.05	.01	3.74	5.81	7.92	13.47	7.85	.63
2013	4.65	12.66	.46	11.33	.79	7.25	15.10	11.58	9.94	26.85	4.67	2.80
2012	31.77	.46	-1.78	-.88	-11.23	14.81	6.88	-6.16	17.36	-.81	4.73	3.49
2011	-10.79	-4.97	14.97	-.16	-2.54	.79	-5.29	-15.77	.25	6.37	-28.49	-3.90
2010	-5.32	5.03	9.21	-.06	-8.79	-.76	5.01	8.05	13.83	1.50	-1.80	-.26
2009	7.11	21.31	1.60	43.99	54.46	2.43	5.03	.97	20.93	11.87	9.74	1.05

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10-year Seasonality chart suggests the stock typically sees good strength in the first five months of the year, especially since 2013. Also, invariably the stock always sees positive returns in the December of preceding year. Hence from a positional / tactical trading perspective, it is recommended to build positions with expectations of good returns till May-end

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