

August 03, 2017

ICICI Bank Limited

ICICI Bank Limited (IBL) has announced its Q1FY2018 results on July 27, 2017.

Advances & Deposits: During Q1FY2018, the bank has reported a growth of 10.9% in domestic advances on YoY basis. However, due to degrowth in overseas advances by ~25.0% on a YoY basis the overall growth was moderated to ~3.3%. ICRA expects a credit growth of 10-12% for IBL during FY2018 which will be higher than our industry growth estimate of 7-8%. Supported by demonetization, the CASA improved on YoY basis to 49.0% as on June 30, 2017 as against 45.1% as on June 30, 2016 (50.4% as on March 31, 2017). The healthy deposit growth rate of ~14.7% on YoY basis supported the bank to reduce its borrowings ~18.7% on a YoY basis.

NIMs & NII: The Net Interest income (NII) witnessed a YoY growth of 8% during Q1FY2018 (de-growth of 6% over Q4FY2018). The Net Interest margins (NIMs) (as % of average total assets – ATA) remained stable on a YoY basis at 2.9% during Q1FY2018 (2.9% in Q1FY2017 and 2.9% during FY2017). In-line with declining interest rate environment, the yield on advances declined to 8.5% during Q1FY2018 (8.9% in Q1FY2017 and 8.8% during FY2017) with a concurrent decline in the cost of funds to 5.0% during Q1FY2018 (5.5% in Q1FY2017 and 5.3% during FY2017). The NIMs are expected to remain under pressure due to repricing of existing floating rate loans as well as to lower income earning assets on account of slippages. Consequently, despite the expected credit growth, ICRA expects the NII growth to remain moderate because of pressure on NIMs.

Asset Quality: The bank reported Gross NPAs (GNPAs) at 7.99% at end Q1FY2018 (5.28% at end of Q1FY2017 and 7.89% at end of Q4FY2017) with the sequential increase in GNPA amount being moderated out due to upgradations and write-offs. The bank had a total exposure of ~Rs. 7,240 crore towards the accounts identified by RBI for insolvency proceedings against which bank has a provision of ~41% as on June 30, 2017. With ~2.8% of gross advances as on March 31, 2017 under various schemes of restructuring classified as standard, ICRA expects the asset quality pressure to continue for FY2018.

Profitability: The profit before tax / ATA (PBT/ATA) improved during Q1FY2018 on sequential basis supported by higher treasury income and lower credit costs (because of lower fresh slippages) and stable operating costs. However, the profit after tax / ATA (PAT/ATA) stood lower during Q1FY2018 as compared to Q1FY2017 as the gain on sale of investments during Q1FY2018 attracted lower tax rate. The profitability is expected to remain under pressure because of expectations of fresh slippages as well as credit provisions against existing NPAs.

Capitalisation: Capitalisation ratios for ICICI bank remained strong in relation to regulatory levels with CET1, Tier 1 and CRAR (as % of risk weighted assets) at 14.17%, 14.80%, and 17.89% respectively at end of Q1FY2018 (12.94%, 13.02% and 16.45% at end of Q1FY2017). The solvency level remained weaker with NNPA/Net worth of 25.93% at end of Q1FY2018 weaker than the private sector average.

ICRA currently has outstanding ratings of [ICRA]AAA(stable) for the lower tier II bonds programme, unsecured redeemable long term bonds programme, subordinated debt programme and long term bonds programme, [ICRA]AA+(hyb)(stable) for the Basel III compliant tier I bonds programme, MAAA(stable) for the term deposits programme and [ICRA]A1+ for Certificates of deposit programme of the bank.

The previous rating rationale is available on the following link: [Click here](#)

Key Financial Indicators:

	FY2016	FY2017	Q1FY2017	Q1FY2018
Net Interest Income	21,224	21,737	5,159	5,590
Profit before tax	12,196	11,279	2,700	2,575
Profit after tax	9,726	9,801	2,232	2,049
Net advances	435,264	464,232	449,427	464,075
Total assets	717,878	768,749	724,424	757,874
% CET 1	13.00%	13.81%	12.94%	14.17%
% Tier 1	13.09%	14.36%	13.02%	14.80%
% CRAR	16.64%	17.39%	16.45%	17.89%
% Net Interest Margin / Average total assets	3.11%	2.92%	2.86%	2.93%
% Net Profit / Average total assets	1.43%	1.32%	1.24%	1.07%
% Return on Net Worth	11.62%	10.66%	10.14%	8.43%
% Gross NPAs	5.21%	7.89%	5.28%	7.99%
% Net NPAs	2.67%	4.89%	3.01%	4.86%
% Provision coverage excl. technical write offs	50.56%	40.19%	44.69%	41.35%
% Net NPA/ Net worth	14.91%	26.26%	16.87%	25.93%

Source: Bank's investor presentation and ICRA research; Amount in Rs. crore
All ratios are as per ICRA calculations

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