

Strong performance continues

Arihant Capital values your support in the Asiamoney Brokers Poll 2022 for Institutional Team. We request your ballot

ASIAMONEY

Click Here

CMP: INR 800

Rating: Buy

Target Price: INR 971

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	1,390
Mkt Cap (INR Cr)	5,56,527
52w H/L (INR)	860/ 642
Avg Yearly Vol (in 000')	14,095

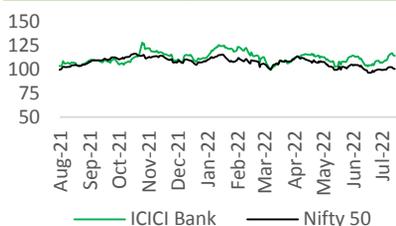
Shareholding Pattern %

(As on June, 2022)

Promoters	NIL
FII	43.54
DII	45.33
Public & Others	11.13

Stock Performance (%)	1m	3m	12m
ICICI Bank	16.4	6.9	21.8
Nifty 50	8.1	-2.9	5.3

ICICI Bank Vs Nifty 50



Raju Barnawal

raju.b@arihantcapital.com

022 67114870

ICICI Bank reported profit of INR 6,905 cr (+50% YoY/-1.6% QoQ) was higher than our estimate of INR 6,407 cr, driven by better operating profit growth and 60% YoY decline in provisions. NII for the quarter grew strongly by 21% YoY/5% QoQ to INR 13,210 cr, led by strong advances growth of 21% YoY/4% QoQ. NIM of the bank was stable at 4% QoQ. Operating profit increased by 16% YoY/0.2% QoQ to INR 10,309 cr, driven by better performance on other income and NII front. Other income for the quarter grew by 17% YoY to INR 4,665 cr. Despite a sharp rise in bond yield, Bank has reported treasury gain of INR 36 cr as compared to gain of INR 290 cr in Q1FY22. Asset quality of the bank improved further with GNPA declined by 19bps QoQ at 3.4% and NNPA decreased by 6bps QoQ at 0.7% led by strong recoveries & upgrades. Restructuring pool of the bank declined by 11% QoQ to INR 7,376 cr or 82bps of loans. Bank has made additional contingent provision of INR 1,050 cr during the quarter and holds provision buffer of INR 8,500 cr (0.95% of advances) which provides comfort over balance sheet position.

NIM remained resilient: Despite a 19bps decline in yields, NIM of the bank remained stable at 4% QoQ. Cost of deposits declined by 2bps QoQ at 3.46% while cost of funds was at 3.67%. 43% of the book is linked with repo rate, 6% with other external benchmark, 21% linked with MCLR and 30% book is fixed. The repricing benefit of the loans will be seen in the coming quarter.

Loan growth remained strong driven by Retail portfolio: Loan growth for the quarter was at 21% YoY/4% QoQ (vs +17% YoY in Q4FY22) was led by retail loan growth of 24% YoY/5% QoQ and Corporate portfolio growth of 14% YoY/4.4% QoQ. SME advances grew by 32% YoY and declined by 2.6% QoQ. Within retail, PL grew by 38% YoY/9% QoQ, Credit cards was up by 63% YoY/12% QoQ and Mortgage portfolio up by 22% YoY/4% QoQ. Domestic book growth was at 21% YoY while overseas book was at +14% YoY. Deposits growth was modest at 13% YoY/-1.3% QoQ with CASA ratio at 46.9%.

Strong recovery led to an improvement in asset quality: Slippages for the quarter increased from INR 4,204 cr to INR 5,825 cr (slippage ratio at 2.6% vs. 2% QoQ), of which INR 5,037 cr was from retail and INR 788 cr from Corporate and SME. Retail slippages includes INR 755 cr addition from Kisan credit card portfolio. Recoveries during the quarter was continue to be higher at INR 5,443 cr (vs. INR 4,693 cr in Q4FY22). Hence, net addition to the NPA was lower at INR 382 cr. GNPA/NNPA of the bank improved by 19bps/6bps QoQ at 3.4%/0.7% respectively. BB and below rated book of the bank declined further by 24% QoQ at INR 8,209 cr or 0.9% of advances.

Valuation & View: ICICI Bank consistently reporting strong performance with improving asset quality, robust credit growth, all time high margins and moderating credit cost. Balance sheet position of the bank remained comfortable with strong provision buffer. We continue to maintain our positive stance on the stock led by its leveraging digital capabilities, gaining market share position, granular liability franchise and improving return ratios. We maintain our Buy rating on the stock with SOTP based target price of INR 971, based on 2.6x FY24E P/ABV for standalone bank and INR 161 for subsidiaries.

ICICI Bank (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
NII	33,267	38,989	47,466	56,689	64,215
PPOP	28,101	36,397	39,250	47,447	52,831
PAT	7,931	16,193	23,339	30,149	34,005
BVPS (INR / Share)	180.0	213.2	245.0	286.0	332.1
NIM (%)	3.5%	3.6%	3.8%	3.9%	3.9%
RoA (%)	0.7%	1.3%	1.7%	1.9%	1.8%
RoE (%)	6.8%	11.0%	13.7%	15.1%	14.6%
P/ABV (x)	5.1	4.1	3.5	3.0	2.6

Q1FY23 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q1FY23	Q4FY22	Q1FY22	Q-o-Q	Y-o-Y
Interest Income	23,672	22,675	20,383	4.4%	16.1%
Interest Expended	10,462	10,070	9,448	3.9%	10.7%
Net Interest Income	13,210	12,605	10,936	4.8%	20.8%
Other Income	4,665	4,737	3,996	-1.5%	16.8%
Operating Income	17,875	17,342	14,932	3.1%	19.7%
Operating Expenses	7,566	7,049	6,037	7.3%	25.3%
Employee Expenses	2,849	2,429	2,374	17.3%	20.0%
Other Operating Expenses	4,717	4,620	3,663	2.1%	28.8%
PPOP	10,309	10,293	8,894	0.2%	15.9%
Provisions	1,144	1,069	2,852	7.0%	-59.9%
PBT	9,165	9,224	6,043	-0.6%	51.7%
Tax Expenses	2,260	2,205	1,427	2.5%	58.4%
Net Income	6,905	7,019	4,616	-1.6%	49.6%
Balance Sheet Analysis					
Advances	8,95,625	8,59,020	7,38,598	4.3%	21.3%
Deposits	10,50,349	10,64,572	9,26,224	-1.3%	13.4%
Total Assets	14,15,581	14,11,298	12,20,654	0.3%	16.0%
CASA Deposits	4,92,114	5,18,437	4,25,101	-5.1%	15.8%
CASA (%)	46.9%	48.7%	45.9%	-185bps	96bps
CAR (%)	18.04%	19.16%	18.71%	-112bps	-67bps
Spreads					
NIMs (%)	4.0%	4.0%	3.9%	1bps	12bps
Cost of Funds	3.7%	3.7%	3.8%	-1bps	-15bps
Yield on Average Advances	8.1%	8.3%	8.3%	-19bps	-14bps
Asset Quality					
GNPA	33,176	33,920	43,148	-2.2%	-23.1%
NNPA	6,669	6,961	9,306	-4.2%	-28.3%
GNPA (%)	3.41%	3.60%	5.15%	-19bps	-174bps
NNPA (%)	0.70%	0.76%	1.16%	-6bps	-46bps
Provision Coverage Ratio	80.0%	79.5%	78.43%	52bps	157bps
Returns & Expenses					
RoA (annualised)	2.0%	2.1%	1.5%	-13bps	44bps
RoE (annualised)	15.9%	17.5%	12.30%	-160bps	360bps
Cost / Income Ratio	42.3%	40.6%	40.4%	168bps	190bps

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Q1FY23 – Key Concall Highlights

- Bank has created contingent provision of INR 1,050 cr during the quarter and holds INR 8,500 cr of total buffer provision.
- INR 755 cr addition in retail slippages was from Kisan credit card portfolio. Typically, GNPA are higher in KCC portfolio in Q1 and Q3.
- There was 3bps impact of interest on income tax refund.
- Employee cost was higher by 20% YoY/17% QoQ. There was INR 1.29 bn impact in the employee expenses due to fair valuation of ESOP.
- Technology expenses was at 8.5% of total OPEX, similar to FY22 levels.
- There has been 7.3 mn activation (till Jun'22) of i Mobile Pay by non ICICI Bank customers. The value of transactions by non ICICI account holders in the current quarter increased by 35% QoQ.
- InstaBIZ transactional value grew by 57% YoY.
- 33% of Mortgage and 44% of personal loans sourcing are end to end digital.
- Credit card spends increased by 2x YoY/13% QoQ, driven by improvement in discretionary spending, higher activation rate through digital onboarding of customers, including Amazon Pay credit cards, and diversification through commercial cards.
- During the quarter, Bank has launched Campus Power, an online platform providing various banking solutions such as loans, bank accounts, foreign exchange remittances and value added services to the student ecosystem for higher education in India and abroad.
- The value of the Bank's merchant acquiring transactions through UPI in Q1FY23 grew by 27% QoQ and 2.3x YoY. The Bank is the market leader in electronic toll collections through FASTag.
- Growth in SME and Business banking was driven by digital capabilities and platforms such as InstaBIZ and merchant stack.
- A- and above rating share increased from 71.8% to 72.9% QoQ (Excluding retail and rural portfolio).

Valuation - Sum of the Parts

Entity	Valuation methodology	Holding	Intrinsic Value per Share
ICICI Bank - Standalone banking business / Parent	2.6x FY24E ABV	100.0%	810
ICICI Prudential Life Insurance	2.0x FY24E EV	51.3%	79
ICICI Lombard General Insurance	Current MCAP	48.1%	44
ICICI Prudential AMC	5% of FY24E AUM	51.0%	39
ICICI Securities	2x FY24E P/E	74.9%	27
ICICI Home Finance	1x FY24E BV	100.0%	3
ICICI Bank UK Plc	0.5x FY24E BV	100.0%	2
ICICI Bank Canada	0.5x FY24E BV	100.0%	2
Others			5
Holding co. discount (%)			20.0%
Value of subs (INR per share)			161
Value of total (INR per share)			971

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Profit & Loss Statement (in INR Cr)	FY20A	FY21A	FY22	FY23E	FY24E
Interest Income	74,798	79,118	86,375	1,06,077	1,22,329
Interest Expended	41,531	40,129	38,908	49,387	58,113
Net Interest Income	33,267	38,989	47,466	56,689	64,215
Other Income	16,449	18,969	18,518	20,740	23,228
Operating Income	49,716	57,958	65,984	77,429	87,444
Operating Expenses	21,614	21,561	26,733	29,982	34,612
Employee Expenses	8,271	8,092	9,673	10,453	12,457
Other Operating Expenses	13,343	13,469	17,061	19,529	22,156
PPOP	28,101	36,397	39,250	47,447	52,831
Provisions	14,053	16,214	8,641	7,777	8,088
PBT	14,048	20,183	30,609	39,670	44,743
Tax Expenses	6,117	3,990	7,269	9,521	10,738
Net Income	7,931	16,193	23,339	30,149	34,005

Balance Sheet (in INR Cr)	FY20A	FY21A	FY22	FY23E	FY24E
Equity & Liabilities					
Share Capital	1,295	1,383	1,390	1,397	1,403
Reserves & Surplus	1,15,206	1,46,123	1,68,856	1,98,306	2,31,609
Net Worth	1,16,501	1,47,506	1,70,246	1,99,703	2,33,013
Deposits	7,70,969	9,32,522	10,64,572	12,34,465	14,28,366
Borrowings	1,62,897	91,631	1,07,231	1,12,593	1,18,223
Other Liabilities and Provisions	47,995	58,770	68,983	76,637	88,159
Total Capital & Liabilities	10,98,365	12,30,433	14,11,298	16,23,401	18,67,764
Assets					
Cash & Balances with RBI	35,284	46,031	60,121	66,838	75,964
Balances with Other Banks & Call Money	83,872	87,097	1,07,702	1,30,962	1,56,632
Investments	2,49,531	2,81,287	3,10,241	3,25,753	3,42,041
Advances	6,45,290	7,33,729	8,59,020	10,13,644	11,96,100
Fixed Assets	8,410	8,918	9,456	10,027	10,633
Other Assets	75,978	73,371	64,758	76,176	86,394
Total Assets	10,98,365	12,30,433	14,11,298	16,23,401	18,67,764

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Ratios	FY20A	FY21A	FY22	FY23E	FY24E
Growth rates					
Advances (%)	10.0%	13.7%	17.1%	18.0%	18.0%
Deposits (%)	18.1%	21.0%	14.2%	16.0%	15.7%
Total assets (%)	13.9%	12.0%	14.7%	15.0%	15.1%
NII (%)	23.1%	17.2%	21.7%	19.4%	13.3%
Pre-provisioning profit (%)	19.9%	29.5%	7.8%	20.9%	11.3%
PAT (%)	135.8%	104.2%	44.1%	29.2%	12.8%
Balance sheet ratios					
Credit/Deposit (%)	83.7%	78.7%	80.7%	82.1%	83.7%
CASA (%)	45.1%	46.3%	48.7%	48.5%	48.3%
Advances/Total assets (%)	58.8%	59.6%	60.9%	62.4%	64.0%
Leverage (x) (Asset/Shareholder's Fund)	9.4	8.3	8.3	8.1	8.0
CAR (%)	16.8%	19.1%	19.2%	22.1%	19.7%
CAR - Tier I (%)	15.0%	18.1%	18.4%	20.3%	17.9%
Operating efficiency					
Cost/income (%)	43.5%	37.2%	40.5%	38.7%	39.6%
Opex/total assets (%)	2.0%	1.8%	1.9%	1.8%	1.9%
Opex/total interest earning assets	0.9%	0.7%	0.8%	0.7%	0.8%
Profitability					
NIM (%)	3.5%	3.6%	3.8%	3.9%	3.9%
RoA (%)	0.7%	1.3%	1.7%	1.9%	1.8%
RoE (%)	6.8%	11.0%	13.7%	15.1%	14.6%
Asset quality					
Gross NPA (%)	6.4%	5.0%	3.6%	3.5%	3.3%
Net NPA (%)	1.6%	1.1%	0.8%	1.0%	0.9%
PCR (%)	75.6%	77.8%	73.2%	72.2%	73.7%
Credit cost (%)	1.7%	1.7%	0.8%	0.6%	0.6%
Per share data / Valuation					
EPS (INR)	12.25	23.41	33.58	43.18	48.47
BVPS (INR)	180	213	245	286	332
ABVPS (INR)	158	194	226	266	311
P/E (x)	65.3	34.2	23.8	18.5	16.5
P/BV (x)	4.4	3.8	3.3	2.8	2.4
P/ABV (x)	5.1	4.1	3.5	3.0	2.6

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880