

ICICI Bank Ltd.



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Robust growth continues with strengthened asset quality

CMP INR 847	Target INR 955	Potential Upside 12.8%	Market Cap (INR Cr) INR 5,87,295	Recommendation ACCUMULATE	Sector Banking
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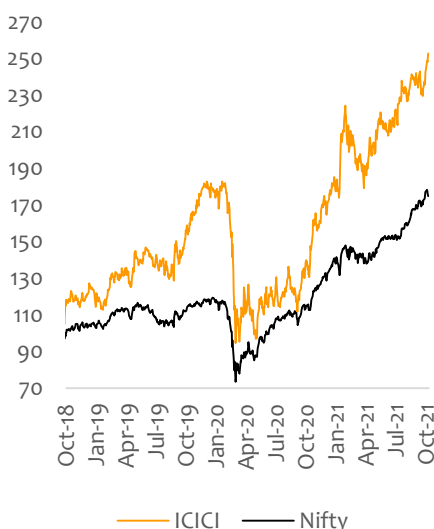
Result Highlights of Q2 FY22

- Net interest income (NII) increased by 25% YoY to INR 11,690 Cr in Q2FY22 from INR 9,366 Cr in Q2FY21. The net interest margin was 4.0% in Q2FY22 vs 3.57% in Q2FY21.
- Fee income grew by 21% YoY to INR 3,811 Cr in Q2FY22 from INR 3,139 Cr in Q2FY21.
- Provisions (excluding provision for tax) declined by 9% YoY to INR 2,713 Cr in Q2FY22 from INR 2,995 Cr in Q2FY21.
- The profit after tax grew by 30% YoY to INR 5,511 Cr in Q2FY22 compared to INR 4,251 Cr in Q2FY21.
- Total deposits increased by 17% YoY and 6% sequentially to INR 977,449 Cr as on September 30, 2021. Growth in the advances was 17% YoY at INR 7,64,937 Cr as on 30th September, 2021.
- GNPA/NNPA for Q2FY22 stood at 4.82%/0.99%, respectively vs. 5.15%/ 1.16% in Q1FY22.

MARKET DATA

Shares outs (Cr)	693
Equity Cap (INR Cr)	1,56,657
Mkt Cap (INR Cr)	5,87,295
52 Wk H/L (INR)	766/388
Volume Avg (3m K)	12,695
Face Value (INR)	2
Bloomberg Code	ICICIB IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	60,967
NIFTY	18,124

SHARE HOLDING PATTERN (%)

Particulars	Sept-21	Jun-21	Mar-21
Promoters	0	0	0
FIIIs	47.3	47.8	47.8
DIIIs	42.7	42.2	42.2
Others	10.0	10.0	10.0
Total	100	100	100

KEY FINANCIALS

Particulars (INR Cr)	FY20	FY21	FY22E	FY 23E	FY 24E
NII	33,267	38,989	47,769	52,735	62,077
PPOP	28,101	36,397	41,923	46,459	57,112
PAT	7,931	16,193	21,653	26,738	33,265
EPS	12.3	23.4	31.3	38.7	48.1
NIM	3.7%	3.9%	4.0%	4.4%	5.2%
Advances Growth	10.0%	13.7%	18.0%	18.0%	18.0%

Source: Company, KRChoksey Research

Asset quality saw sequential improvement: GNPA/ NNPA stood at 4.82%/ 0.99% in Q2FY22 vs 5.15%/ 1.16% in Q1FY22, respectively. ICICI Bank's Gross NPA addition in Q2FY22 declined to INR 5,578 Cr from INR 7,231 Cr in Q1FY22. The provisions coverage ratio (PCR) improved further at 80.1% in Q2FY22 compared to 78.2% in Q1FY22. There was no writeback of Covid-19 related provisions in Q2FY22. The covid-19 related provision is about 0.8% of the total loans as of September 30, 2021. BB & below stood at INR 12,714 Cr in Q2FY22 vs. INR 13,975 Cr in Q1FY22. The fund-based outstanding of INR 9,684 Cr (1.3% of advances) are all standard borrowers under resolution as per various frameworks of RBI (as of June 30, 2021: INR 4,864 Cr). We expect a further decline in slippages over H2FY22E. We see credit costs to be around 1.6%/1.1%/1.1% in FY22E/FY23E/FY24E, respectively. The buffer provisions will aid in having tighter control on the credit cost.

Strong business growth momentum continues: Deposits grew 17% YoY in Q2FY22. Deposit growth was supported by a strong CASA growth of 24% YoY. CASA contribution improved from 43.8% in Q2FY21 to 46.1% in Q2FY22. The term deposits grew by 12.5% YoY. The CASA ratio improvement helped enhance the overall NIMs for the bank with lower cost of funds for the quarter. The loan book for the quarter grew 17% YoY in line with the deposits, driven by 20% retail loan growth. With the increase in economic activity, disbursements across all retail products increased sequentially in this quarter. The growth in the domestic corporate portfolio (excluding the builder portfolio) was about 14% YoY as of September 30, 2021. The bank saw a strong growth trend in all its segments. The business momentum is highly encouraging and is poised to sustain.

Operating profitability strengthens further: NII grew 25% YoY in Q2FY22, with healthy NIMs at 4.0%. NIM expansion was aided by a fall in the cost of funds. The cost of deposits continues to be among the lowest in the system. PPOP grew 20.0% YoY with healthy NII growth and fee income growth of 21% YoY in Q2FY22. The quarter's cost to income ratio stood at 39.9% against 40.4% in Q1FY22 and 38.3% in Q2FY21. Provisions (excluding tax provision) declined by 9% YoY to INR 2,713 Cr in Q2FY22 from INR 2,995 Cr in Q2FY21. Overall, a robust metric helped boost the PAT at INR 5,511 Cr, a growth of 30% YoY. We anticipate that NIMs will continue to improve, and operating profitability will remain healthy.

16.8%

NII CAGR between FY21 and FY24E

27.1%

PAT CAGR between FY21 and FY24E

ANALYST

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Key Concall Highlights:

- Economic activity has continued to improve since June. The underlying economic activity continues to show an upward momentum owing to higher peak power demand, e-way bill generation and rail freight revenues, improved vehicle registrations on the back of the festive season, and rising labor force participation rate in urban areas.
- ICICIBC expects the festive season to give further impetus to economic activity.
- ICICIBC aims to create holistic value propositions for its customers through its 360-degree customer-centric approach and focus on opportunities across client and segment ecosystems.
- The liquidity coverage ratio for the quarter was 133%, reflecting continued surplus liquidity. The cost of deposits continues to be among the lowest in the system.
- Credit card spends across most categories other than travel crossed March 2021 levels in September. The bank expects the momentum in spends to continue in the festive season.
- The bank continues to expand the suite of services offered through iMobile Pay to achieve high engagement levels with users. ICICIBC has launched a facility which enables its savings account holders to manage dues of credit cards of any bank through iMobile Pay.
- The bank is well positioned to capture the opportunities arising from the growing FDI and capital market flows.
- The total provisions of INR 14,951 Cr will completely cushion the balance sheet from the potential credit losses which may arise due to the pandemic.
- ICICIBC has been growing its loan portfolio in a granular manner with a focus on risk and reward.

Valuation and view

The performance of the bank in Q2FY22 was above our expectations, and the bank is experiencing a robust business growth momentum. Slippages for the quarter were under control. Net NPAs were the lowest since 2014. The aim of increasing market share in advances and strengthening the liability franchise bodes well for the bank in the longer run. In comparison to peers, ICICIBC is well positioned across all metrics. We have factored CAGR 27.1% growth in profits over FY21-24E on an 18.0% CAGR growth in advances and 16.8% CAGR growth in NII. **Since our last update, the shares of ICICI Bank have rallied ~24.6%. We are rolling forward our target multiple for the standalone banking business to FY24E, applying a P/ABV multiple of 2.5x to the FY24E ABV of INR 314.8 per share, implying a SOTP valuation of INR 955 per share (previously INR 787 per share). It has a potential upside of 12.8% at the CMP of INR 847 per share. As a result, we retain our "ACCUMULATE" rating on ICICI Bank's shares.**

Entity	Valuation Methodology	Holding	Value per share (INR)
ICICI Bank – Standalone Banking business / Parent	2.5x FY24E BV	100.0%	786.9
ICICI Prudential Life Insurance	2.1x FY24 EV	51.4%	66.6
ICICI Lombard General Insurance	Current MCAP	51.9%	55.3
ICICI Prudential AMC	5% of FY24E AUM	51%	23.3
ICICI Securities	Current MCAP	77.2%	28.2
ICICI Home Finance	2x FY24 BV	100.0%	4.7
ICICI Bank UK Plc	1x FY24 BV	100.0%	10.0
ICICI Bank Canada	1x FY24 BV	100.0%	10.0
Holding Co. Discount			15%
Value of subs after discount (INR Per share)			168
Value of Total			955
CMP			847
Upside			12.8%

Source: Company, KRChoksey Research

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KEY FINANCIALS (standalone)

Exhibit 1: Profit & Loss Statement

INR Cr	FY 20	FY 21	FY 22E	FY 23E	FY 24E
Interest Income	74,798	79,118	92,649	1,04,306	1,22,645
Interest Expense	41,531	40,129	44,880	51,571	60,567
Net Interest Income	33,267	38,989	47,769	52,735	62,077
Non interest income	16,449	18,969	19,664	22,224	25,383
Operating income	49,716	57,958	67,433	74,959	87,461
- Employee expense	8,271	8,092	9,306	10,701	12,307
- Other operating expense	13,343	13,469	16,205	17,799	18,042
Operating Expense	21,614	21,561	25,510	28,500	30,349
PPOP	28,101	36,397	41,923	46,459	57,112
Provisions	14,053	16,214	12,987	10,727	12,658
PBT	14,048	20,183	28,936	35,731	44,454
Tax Expense	6,117	3,990	7,283	8,994	11,189
PAT	7,931	16,193	21,653	26,738	33,265
Diluted EPS (INR)	12.3	23.4	31.3	38.7	48.1

Source: Company, KRChoksey Research

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Exhibit 2: Balance Sheet

INR Crores	FY20	FY21	FY22E	FY 23E	FY 24E
Source of Funds					
Share capital	1,295	1,383	1,383	1,383	1,383
Reserves & Surplus	1,15,206	1,46,123	1,67,776	1,94,513	2,27,778
Networth	1,16,501	1,47,506	1,69,159	1,95,897	2,29,161
ESOP	3	3	3	3	3
Borrowings	1,62,897	91,631	93,464	95,333	97,240
Deposits	7,70,969	9,32,522	10,75,098	12,70,469	15,01,887
Other liabilities & provisions	47,995	58,770	53,722	10,002	-15,550
Total Equity & Liabilities	10,98,365	12,30,433	13,91,445	15,71,704	18,12,741
Uses of Funds					
Balances w/ banks & others	1,19,156	1,33,128	1,24,913	96,128	82,725
Investments	2,49,531	2,81,287	3,19,531	3,69,531	4,40,076
Loans & advances	6,45,290	7,33,729	8,65,800	10,21,644	12,05,540
Fixed assets	8,410	8,878	9,200	9,400	9,400
Other assets	75,978	73,411	72,000	75,000	75,000
Total Assets	10,98,365	12,30,433	13,91,445	15,71,704	18,12,741

Source: Company, KRChoksey Research

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Exhibit 3: Ratio Analysis

Key Ratio	FY20	FY21	FY22E	FY 23E	FY 24E
Growth Rates					
Advances (%)	10.0%	13.7%	18.0%	18.0%	18.0%
Deposits (%)	18.1%	21.0%	15.3%	18.2%	18.2%
Total assets (%)	13.9%	12.0%	13.1%	13.0%	15.3%
NII (%)	23.1%	17.2%	22.5%	10.4%	17.7%
Pre-provisioning profit (%)	19.9%	29.5%	15.2%	10.8%	22.9%
PAT (%)	135.8%	104.2%	33.7%	23.5%	24.4%
B/S Ratios					
Credit/Deposit (%)	83.7%	78.7%	80.5%	80.4%	80.3%
CASA (%)	45.1%	46.3%	44.1%	43.2%	42.4%
Advances/Total assets (%)	58.8%	59.6%	62.2%	65.0%	66.5%
Leverage - Total Assets to Equity	9.43	8.34	8.23	8.02	7.91
Operating efficiency					
Cost/income (%)	43.5%	37.2%	37.8%	38.0%	34.7%
Opex/total assets (%)	2.2%	2.6%	2.7%	2.6%	2.4%
Opex/total interest earning assets	2.9%	2.6%	3.2%	3.0%	2.7%
Profitability					
NIM (%)	3.7%	3.9%	4.0%	4.4%	5.2%
RoA (%)	0.8%	1.4%	1.7%	1.8%	2.0%
RoE (%)	7.1%	12.3%	13.7%	14.6%	15.7%
Asset quality					
Gross NPA (%)	6.1%	5.0%	4.5%	3.8%	3.3%
Net NPA (%)	1.8%	1.1%	1.1%	1.0%	0.9%
PCR (%)	71.4%	77.7%	75.4%	73.5%	71.7%
Credit cost (%)	1.9%	2.0%	1.6%	1.1%	1.1%
Per share data / Valuation					
EPS (INR)	12.3	23.4	31.3	38.7	48.1
BVPS (INR)	180.0	213.2	244.6	283.2	331.3
ABVPS (INR)	161.6	200.0	230.2	267.8	314.8
P/E (x)	69.1	36.2	27.1	21.9	17.6
P/BV (x)	4.7	4.0	3.5	3.0	2.6
P/ABV (x)	5.2	4.2	3.7	3.2	2.7

Source: Company, KRChoksey Research

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ICICI Bank Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
25-Oct-21	847	955	ACCUMULATE	Buy	More than 15%
31-Aug-21	712	787	ACCUMULATE		
26-Jul-21	680	787	BUY	Accumulate	5% – 15%
26-Apr-21	591	705	BUY		
17-Mar-21	595	640	ACCUMULATE	Hold	0 – 5%
15-Dec-21	515	560	ACCUMULATE	Reduce	-5% – 0
24-Sep-20	354	495	BUY		
11-May-20	302	448	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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