ICICI Bank

BSE SENSEX	S&P CNX
57,696	17,197

Stock Info

Bloomberg	ICICIBC IN
Equity Shares (m)	6,935
M.Cap.(INRb)/(USDb)	4973.5 / 66.2
52-Week Range (INR)	860 / 479
1, 6, 12 Rel. Per (%)	-5/0/19
12M Avg Val (INR M)	12206
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY21	FY22E	FY23E	FY24E
NII	389.9	476.7	560.2	671.9
OP	364.0	399.7	473.6	579.4
NP	161.9	222.2	275.6	344.3
NIM (%)	3.7	4.0	4.1	4.2
EPS (INR)	24.2	32.1	39.8	49.8
EPS Gr (%)	97.0	32.8	24.1	24.9
ABV (INR)	187.3	219.8	256.9	303.5
Con. BV (INR)	227.8	259.4	297.6	343.9
Ratios				
RoE (%)	12.6	14.4	15.5	16.6
RoA (%)	1.4	1.7	1.8	2.0
Valuations				
P/BV (x) Con.	3.1	2.8	2.4	2.1
P/ABV (x)	2.8	2.4	2.0	1.7
P/E (x)	21.4	16.1	13.0	10.4

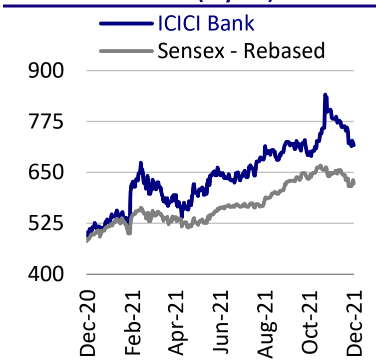
*Multiples adjusted for Subs

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	0.0	0.0	0.0
DII	33.5	32.9	36.1
FII	58.7	59.2	55.6
Others	7.8	7.9	8.3

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR717 TP: INR1,000 (+40%) Buy

Growing franchise through technological innovations

Business momentum robust; return ratios to improve

We attended ICICIBC analyst day, where the management highlighted how the strengthening of its digital capabilities is helping transform the bank and increase throughput rates, while offering customers a superior experience. The bank is capable of building and scaling digital capabilities like the best of the FinTechs, though agility, constant innovation, and customer focus remains the key to success. ICICIBC has been reporting strong growth in Retail advances, supported by an impressive share of digital originations, while SME/Business Banking growth has been robust, aided by various digital applications. With a resilient asset quality and an improving economic environment (as reflected by key economic indicators – GST collections, GDP growth, and PMI), it appears firmly positioned to deliver healthy sustainable growth. We estimate ICICIBC to deliver ~25% earnings CAGR over FY22-24E, while RoA/RoE improves to 2%/16.6% in FY24E. ICICIBC remains our top pick in the sector. We reiterate a Buy with a SoTP based TP of INR1,000 (2.8x Sep'23E ABV).

Retail credit: Using technology to drive growth and collections

Data monetization has become a key driver to maximize PPOP growth. The bank is creating use cases across the customer lifecycle, i.e. in acquisitions, deepening relationship, cross sell, and risk management. The bank is making use of digital analytics to segregate customers into pre-approved loans or the pre-qualified category. ICICIBC is using more than 100 variables to assess risk. Pre-Delinquency Management is helping identify early stress. Contactless collection stands ~30% of early stage delinquency. The model is able to predict 80% of the bounce rate, while covering 20% of the book.

Digital sourcing is gaining share – helping improve cross-sell and reduce TAT

Its mobile app is showing robust acceptance, with ~4.5m activations from non ICICIBC customers, 34x growth in transaction value, and 18x growth in users. Around 10% of these customers have bought at least one product from it. More than 75% of the ICICIBC's customers are digitally active, with 90% of the transactions happening through its digital platforms. The bank has witnessed 114% YoY growth in digital logins, while disbursements grew 93%. Digital disbursals in Home/Personal/Auto loans rose 2.5x/1.7x/4.2x. ICICIBC has been the largest credit card acquirer during the pandemic, with a digital sourcing rate of 96% (100% since Nov'21). Around 26% of its customers are issued cards through Insta flow, while 28% of its existing customers were issued cards in less than 30 minutes.

Wholesale portfolio – product innovation driving market share gains

Business activity has improved significantly over 1HFY22. Corporate India has emerged stronger from the COVID-19 pandemic, led by massive deleveraging, government support, and a larger capital pool. The management focus is on capturing the end-to-end opportunity in the complete value chain, maximizing the risk calibrated operating profit, and ensuring Return of Capital before the Return on Capital. The bank launched CP online in CY20, which over the past 15 months has helped raise INR1.5t.

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The bank has a strong market share across various products, i.e. 10% in FDI/ODI flow, 6.6%/7.9% in Import/Export trade flow, 5.7% in Forex market share, 14.5% in GST, and 22.7% in Direct Tax collection. Capacity utilization levels rose to ~80% across sectors such as Steel, Petroleum, Power, and Textiles, and the capex cycle is likely to revive gradually in 12-18 months.

Gaining market share in payments – tie-up with Amazon a huge success

ICICIBC ramped up its B2C offerings, enabling it to report strong growth in Retail merchant spends: UPI grew 194% YoY, Credit Card at 67%, and Debit Card at 56%. The bank added 2m Credit Cards via its Amazon partnership (1m cards added during the pandemic alone), with 60% of customers being NTB, and a monthly activation rate 1.3x that of the industry. The focus is on cross selling Home, Auto, and Personal loans to such NTB customers. Its Amazon card portfolio is performing better in terms of key metrics such as credit cost, delinquency, revolve rate, etc. The bank is also developing a super merchant STACK to provide all in one proposition and has ~15% market share in merchant acquisition.

Partnerships with startups for innovation and technological edge

India is the third largest startup ecosystem in the world, and has created 77 Unicorns (40 were created in CY21 itself). The country's FinTech adoption rate stands at 87% v/s the global average of 64%. ICICIBC's aim is to collaborate and co-create innovative products with startups to drive transformation across various business verticals such as Payments, Lending, and Risk Management. The bank is working with more than 130 FinTechs. Over the past two years, ICICIBC invested in ~15 startup, which has created a win-win partnership for the bank.

Other takeaways

- **FASTTag:** ICICIBC holds 35% market share in toll collection and witnessed a 162% increase in spends v/s pre-COVID levels. The bank is offering fuel and parking payments.
- **Personal loans:** Around 48% accrue through do it yourself, while physical KYC stands at only 6%. Insta PL is ~38%.
- **Transaction Banking:** The bank is providing modular platforms and solutions for Commercial Banking to multiple customer segments through ICICI STACK.
- **Block chain and supply chain financing** are being built for the future.

Valuation and view

ICICIBC appears firmly positioned to deliver healthy, sustainable growth supported by continued investments in technology and expansion in its digital offerings. ICICIBC is seeing a strong demand recovery in consumption loans, led by both secured and unsecured Retail, while Business Banking and SME portfolios have emerged as strong growth engines. The bank has demonstrated a resilient asset quality performance and credit cost is likely to stay under control, supported by higher provisioning coverage (~80%), contingency provisions at 0.8% of loans, and a controlled slippage run-rate. We estimate ICICIBC to deliver ~25% earnings CAGR over FY22-24E, while RoA/RoE improves to 2%/16.6% by FY24E. ICICIBC remains our top **Buy** in the sector. We reiterate our Buy rating with a SoTP based TP of INR1,000 (2.8x Sep'23E ABV).

Key takeaways from the session with the top management

Opening remarks by Mr. Sandeep Bakhshi – MD and CEO

- The focus has been on being fair to the customer and to the bank. New product must pass the family test, - i.e. we must be able to offer it to our own family.
- Choice of technology partners is very important in this world where there are plethora of digital service providers and a large number of partnerships.
- The organization has to be humble at all times, and the structure has to align with a changing environment.
- The bank has started offering digital capabilities on the B2C side, with COVID-19 further accelerating the pace and adoption.
- The digital economy performed well during the pandemic.
- The government and RBI's initiative enabled the Banking system to overcome stress from the immediate impact.
- The outcome after the lifting of COVID-related lockdown restrictions were surprisingly positive, with the overall portfolio holding up very well. This could be attributed to the cleanup, which started post AQR in FY15, and reforms to improve its culture.
- The Banking system is on the right path and is well prepared for future growth.
- High dependence on technology poses a new set of risks, which have increased substantially post the pandemic.
- Building a strong and a granular liability profile is of utmost important.
- It is offering digital capabilities and constant digital upgradation is the need of the hour. Complete ecosystem, partnership with partners, and a collaborative environment needs to be adopted for offering superior propositions.
- Building trust is very important for a Banking business and constant efforts are being made to strengthen the brand.
- Investments in infrastructure, along with PLI scheme, should help in expanding capex and aid India in becoming an important manufacturing unit globally.

Session #1: Scaling up the franchise through platforms and solutions – Mr. Anup Bagchi (Executive Director), Mr. Bijith Bhaskar, Mr. Sudipta Roy, Mr. Prasanna Balachander, Mr. Hitesh Sethia, and Mr. Pankaj Gadgil

- The customer's expectation has substantially changed amid the buildup in digital infrastructure. The factors that are driving this change are: a**) rapid growth in digital payments, b) turning data rich, and c) connecting ecosystems.**
- Digital payments in India are likely to grow by 2.5x by FY23E v/s a 25% growth globally.
- **The management is identifying customer segments, offering fair and superior propositions (partnering with FinTechs), decongesting processes, and Customer 360** are the building blocks for a superior digital banking journey.
- The bank is working with over 130 FinTechs. Banks need to understand the importance of working in an integrated and collaborative manner.
- **Pillars of its digital strategy** include providing robust platforms, having a cognitive and emotive connect, and a strong API with partners and external ecosystems. Overall, the philosophy is driven by creating an open architecture.

- Around 75% of its customers are digitally active, with 90% transactions happening through digital platforms. The bank witnessed a 45%/51% increase in ATS/throughput.
- Two out of three customers are mobile first, i.e. they are using mobile devices to engage with the bank, thus making it imperative to build its offerings around such devices.
- ICICIBC is witnessing 37m logins per user and 19 monthly mobile logins per user.
- **The focus is on building India's first truly universal SuperApp for providing all solutions at one place.**
- The bank is looking to provide seamless payments like Tap to Pay and Credit Card payments for all banks to provide a superior proposition.
- **Digital sourcing:** Disbursals in Home/Personal/Auto loans are up 2.5x/1.7x/4.2x. Savings account/Fixed deposit sourcing stands at 28%/52%.
- The app is showing robust acceptance with ~4.5m activations from non-ICICIBC customers, 34x growth in transaction value, and 18x growth in users. Around 10% of them have bought at least one product from the bank.
- It is leading the growth in P2P UPI payments and is witnessing strong growth. ICICIBC's UPI grew at 89% YoY v/s 74% growth for the overall UPI market.
- On the acquiring side as well, it witnessed 2x growth in transaction, throughput of INR250b in Oct'21, and gained 1% market share in the past 6-7 months.
- More than 400 APIs and 15 product journeys are listed on its portal.
- **Composite Pay,** an API-led payment solution, is gaining pace and witnessing strong growth and market share gains. It clocked a 3.5x/2.2x YoY growth in average monthly count/value.
- ICICIBC has been the largest credit card acquirer during the pandemic. Digital sourcing stands at 96%, with a constant reduction in issuing time. Complete digital sourcing has started from Nov'21.
- Around 26% of customers are offered cards through Insta flow, while 28% of existing customers were issued cards in less than 30 minutes.
- It is the first bank to start V-KYC for unsecured products. Around 55% of new to the bank customers were sourced through video KYC.
- **Amazon Pay Credit Card:** It added 2m cards in the past three years, with 1m additions during the pandemic. Of this, 60% are new to the bank, with a monthly activation rate at 1.3x that of the industry. The focus is on cross selling Home, Auto, and Personal loans to such new to bank customers.
- Industry spends are 20% higher in Sep'21 compared to pre-COVID levels. Growth in spends during the same period was 93% for ICICIBC. Its market share in spends during Sep'21 increased to ~21.5%.
- The focus also remains on building commercial card solutions and ICICIBC is one of the largest players in that space.
- Affluence of cards is increasing, thereby increasing per unit profitability.
- **FASTTag:** ICICIBC holds 35% market share in toll collection and witnessed a 162% increase in spends v/s pre-COVID levels. The bank is offering fuel and parking payments.
- **Personal loans:** Around 48% accrue through do it yourself, while physical KYC stands at only 6%. Insta PL is ~38% and approved in 30 minutes. ETB customers stand at 73%.

- The focus remains on completely digitizing the unsecured loan platform with no manual intervention.
- **Treasury:** It offers a complete product suite to meet both Corporate and individual needs. The focus remains on adding value, scalability, and a building a superior customer experience. **Digital adoption:** A 54% increase in transactions, 41% rise in customers, and 80% growth in FX income.
- **Transaction Banking:** The bank is providing modular platforms and solutions for Commercial Banking to multiple customer segments through ICICI STACK. Block chain and supply chain financing are being built for the future. Market share in GST flows stood at 14.5%. It saw a 48.4% growth in transaction value
- **SME and merchant business:** The focus is on building a comprehensive platform for small businesses incorporating digital underwriting, digital contracts, digital sourcing, merchant onboarding, etc.
- The focus is on providing cutting edge technology for every aspect of the business such as trade, supply chain financing, and the business banking portfolio. **The aim is to be the banker of choice for small business customers.**
- SMBs contribute 40% of GDP in emerging economies. There have been 103 NEO Banks, with more than 200 deals between Banks and FinTechs.
- **SMBs have been embracing digital-first and** 72% have increased their online presence.
- Transaction convenience, faster TAT, quality of digital platforms, and access/availability of finance are the most important factors.
- **InstaBIZ:** Over 1m active customers, with more than 90% payments on digital channels. Growth in financial transactions is up 1.6x to over 0.2m.
- Instant merchant onboarding, DIY current a/c opening, and Instant OD 2.0 apps are available even for non-ICICIBC customers. Instant sanction and disbursements for the customer, with underwriting based on GSTIN, PAN, ITR, Aadhar KYC, is all done in the background instantly.
- **Connected Banking:** 76% YoY growth in CA AAB in Oct'21.
- **New solutions for more than 2m SMEs: Tally and Busy.**

Q&A session

- Stickiness of customers has improved with digital offerings.
- Amazon customers have higher spends, lower delinquencies, and revolve rates.
- FLDG prohibition as suggested by WG is in the right direction. The book supported by FLDG is quite small and hence won't have much impact. This could have turned into a bigger opportunity, but now this will morph into some other solutions and will be offered in some other manner.

Session #2: Ecosystems – Ms. Vishakha Mulye (Executive Director), Mr. Anuj Bhargava, Mr. Pankaj Gadhil, and Mr. Atul Arora

- India is emerging as the second largest startup hub and is also becoming a preferred choice for investment.
- Needs of customers are evolving and new stakeholders are gaining importance, thereby making it a part of the larger ecosystem.
- The focus is to capture the end-to-end opportunity in the complete value chain.
- The focus is on maximizing the risk calibrated operating profit across all parts of the ecosystem and ensuring Return of Capital.

- Debt-to-equity levels have improved and corporates are well placed to benefit from the ongoing economic recovery.
- **Value generation lies in the Corporate ecosystem, merchant ecosystem, and e-commerce ecosystem.**
- The e-commerce ecosystem is pegged at 5.9% of GDP by CY25 v/s 1% at present.

Corporate ecosystem

- Capacity utilization has increased across sectors such as Steel, Petroleum, Power and Textiles. Activities have improved significantly over 1HFY22.
- Corporate India has emerged stronger, led by massive deleveraging, government support, and a larger capital pool.
- For the top 820 listed companies, gross/net debt reduced by 8%/30%, net debt/equity ratio stands at 0.19x, and a net debt/EBITDA ratio stands at 1.03x.
- India is gearing up well for the next leg of the capex cycle.
- The bank has a dedicated team to cater to various customer requirements across different segments.
- RoE for the Corporate ecosystem across the segment stands at 20-30%.
- The management approach is to identify profit pools and gather market intelligence, with an endeavor to capture end-to-end flow and opportunities.

Merchant ecosystem

- The Retail market is like to reach INR105.53t by CY26 from 60.75t in CY21.
- Strong growth in Retail merchant spends, within which UPI grew 194% YoY, Credit Card at 67%, and Debit Cards at 56%.
- **Executive strategy** is to provide though a comprehensive product STACK, people, and promotion and partnerships.
- Developing a super merchant STACK to provide an all in one proposition, namely onboarding, transaction, credit, and servicing.
- **Super merchant STACK:** The bank is offering a super merchant current account to start relationships, transact digitally, avail loans, and keep growing.
- Partnerships with payment aggregators are important to provide superior propositions.
- The bank is offering eazypay to new to the bank customers in the merchant business.
- **Statistics**: Active merchant base grew 2,3x, monthly acquiring volumes grew 1.9x, while deposit growth has been at 2.1x over the past 9-12 months. The bank has ~15% market share in merchant acquisition.

e-commerce ecosystem

- **Customer segment:** Payment aggregators, travel platforms, marketplace, and service platforms.
- GMV is likely to grow to USD247bn by CY25 from USD80b in CY21. e-commerce-to-GDP ratio is likely to increase to 6% by CY25 v/s 3% at present.
- Portfolio throughput grew 1.5x, deposits grew 2x, while funding grew 6.3x in the past year.

Ecosystem focused distribution

- The **approach** is client-centric, segment and product agnostic, and micro-market focused. Omni-channels are also gaining importance.
- It is creating ecosystem hubs. It has 12 such hubs across Mumbai and NCR. It is also creating separate city hubs across major cities.

Q&A session

- The merchant payment universe is likely to grow by 50% to ~INR30t v/s INR21t in FY21.
- Only 13% of total shopping is undertaken by the online marketplace. While this is likely to increase, the merchant space too is likely to witness healthy growth. Thus, there remains scope for both merchant and e-commerce to co-exist.
- Merchant numbers have almost doubled over the past 1-1.5 years, with spends gradually increasing.
- Customer logins and growth in app usage for iMobile pay remains higher than the industry average.
- Capex cycle is likely to recover in 12-18 months. Talks have started, but capex plans are still on the drawing board.

Session #3: Customer Journey – Mr. Vyom Upadhyay, Mr. Ajay Gupta, Mr. Sanjay Singhvi, Mr. Pranav Mishra, and Mr. Sumit Sanghai

- The bank is using data to maximize operating profit and build strong capabilities. It is using advanced technologies to achieve its business objective.
- **Building capabilities includes** data ingestion, data warehousing and storage, data processing and models, and data service and development.
- The aim is to create data driven use cases across the customer lifecycle, i.e. in **acquisitions, deepening relationship, cross sell, and risk management.**

Retail credit and collection

- The approach is to make use of digital analytics to segregate customers into a pre-approved loan or pre-qualified category.
- Customer segmentation and policy formulation/monitoring is the key approach.
- It uses over 100+ variables to assess risk. Pre-delinquency management helps in identifying early stress.
- The model is able to predict 80% of the bounce rate, while covering 20% of the book.
- Contactless collection stands ~30% and is at the early stage of the Virtual CRM.
- Around 87% of total payments are being collected digitally.

Unified customer journey – Loans and savings and investments

- Enhanced customer experience, operational efficiency, and robust risk management are part of its key philosophy.
- **The focus is on five Es:** explore (monthly campaign targeting more than 10m customers), engagement (monthly digital footprint of over 0.5m), ease of credit (instant sanction and top-ups), experience (30% digital traffic growth), and ecosystem (over 40k approved projects and more than 4k dealer tie-ups).
- **Digital mobility solutions: Mortgages** have more than ~6k active users. **Wheels:** Instant car loan applications, with more than 3m customer to whom offers are

being made available. In 2W loans, digital applications stand at 100%, with STP processing of 70%.

- Digital logins grew 114% YoY, while disbursements grew 93%. Home loan disbursements/portfolio grew 47%/25%, while Auto loans grew 34%/16%.
- Within Home/Auto loans, the active liability portfolio stands ~75%/60%.
- Around ~64%/60% of Home/Auto loans customers avail three or more products from the bank.

Unified customer journey – Savings and Investments

- Overall numbers grew 2.3x, digital penetration increased by 5.3x, and monthly average balance grew 6.8x over the past one year.
- It is offering a complete set of products from savings and investments, which also capture the retirement journey, tax planning, etc.
- It has 90% digital subscription in PPF and NPS.

Digital journey for corporates and approach to Corporate credit

- The focus remains on execution and seamless delivery.
- Corporate India has 63m MSMEs, 1.4m active corporates, more than 7,500 listed companies, and over 750 funds which provide a large pool for Banks to offer a diversified level of service. Even the services required are evolving and bespoke solutions are required.
- CP online was launched last year. Over the past 15 months, it raised INR1.5t, signifying larger acceptance.
- The bank has a strong market share across various products, i.e. 10% in FDI/ODI flow, 6.6%/7.9% in Import/Export trade flow, 5.7% in Forex market share, 14.5% in GST, and 22.7% in Direct Tax collection.

Q&A session

- Banks need to constantly evolve and keep on offering and scaling up its digital capabilities to compete with FinTechs. Banks that are able to do so would excel in gaining incremental market share.

Session #4: Bank to BankTech – Mr. Sandeep Batra (Executive Director), Mr. Balaji V.V., Ms. Anubhuti Sanghai. Partnerships with startups for innovation by Mr. Hitesh Sachdev, and ESG by Mr. Anindya Banerjee

- The aim is to make every aspect of the business/processes instant for digital customers.
- Daily average transaction volume grew 24.5m in 2QFY22 v/s 16.9 in 2QFY21.
- The bank offers ~80 products across 50 different variants on the Digital platform.
- API: Around 97.5m transaction per day is carried out across more than 600/85 API in Retail/Corporate.
- The focus is on Cloud adoption and the bank is gradually moving its apps to the Cloud.
- Net Promoter Score improved to 329 in 2QFY22 (v/s 234 in FY20) for bank onboarding. The same improved to 156 (v/s 117) for the bank channel.

Partnerships with startups for innovation

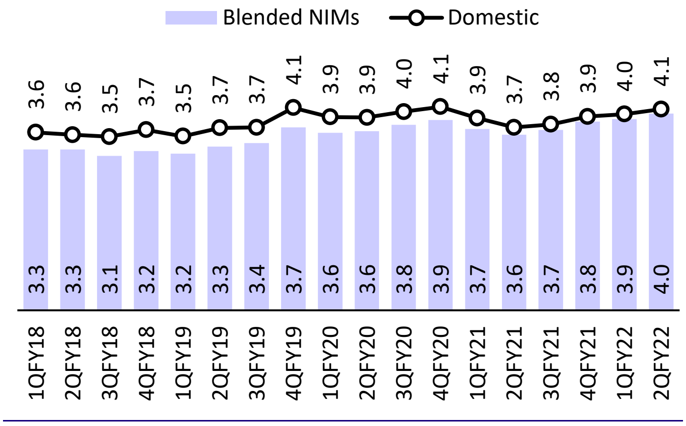
- India is the third largest startup ecosystem in the world, and has created 77 Unicorns till date (40 were created in CY21 itself).
- FinTech adoption stands at 87% for India v/s a global average of 64%.
- The aim is to collaborate and co-create innovative products with startups to drive transformation in exploring new opportunities and operational efficiency.
- It is exploring various business verticals such as payments, lending and enhancing customer experience, and risk management.
- Over the past two years, ICICIBC invested in ~15 startups, which have created a win-win partnership for the bank.

Q&A session

- Technology spends have increased substantially over the past 2-3 years and will continue to remain elevated in the near term.
- Over 70% of incremental sourcing was undertaken through the ilens app and this platform is also used by the branch platform.
- Cordless EMI – the monthly transaction – is growing at 1.5-2x.
- Around 28% of customers are being catered through the intelicollect app.
- The bank has partnered with ~16 brokers for its 3-in-1 trading account.

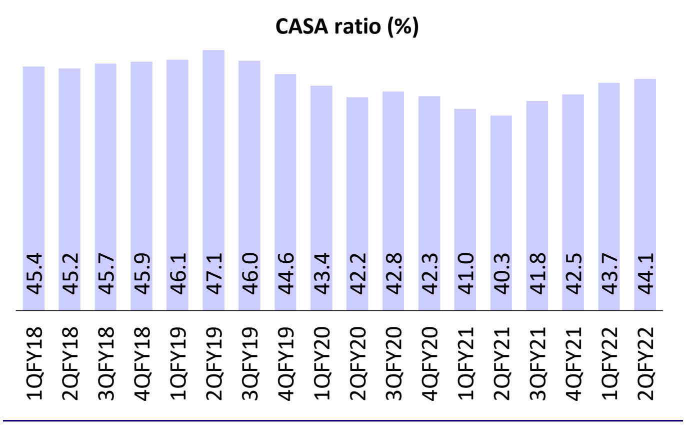
Story in charts

Exhibit 1: Domestic NIM expands by 10bp QoQ to 4.09%



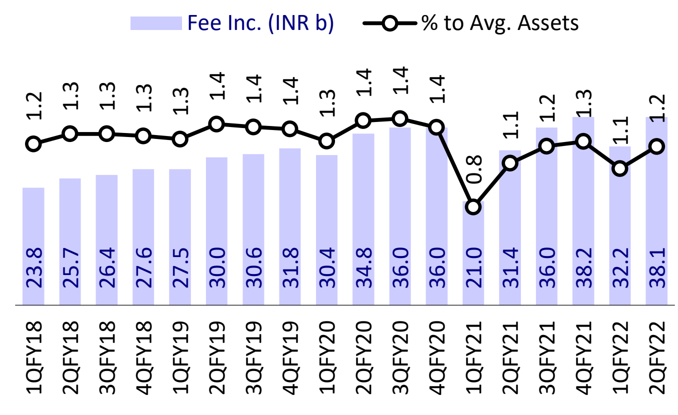
Source: MOFSL, Company

Exhibit 2: Average daily CASA ratio improves by 40bp QoQ



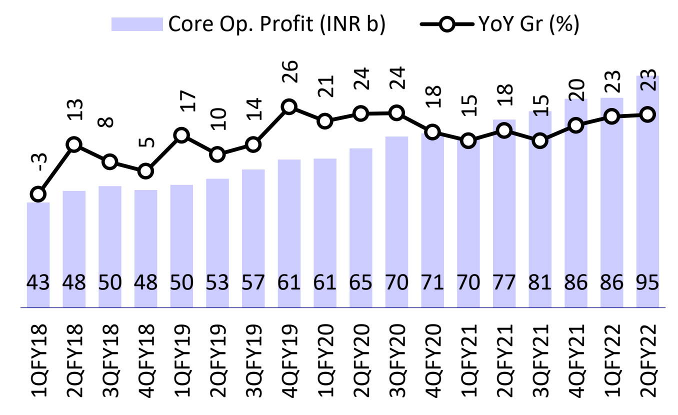
Source: MOFSL, Company

Exhibit 3: Fee income witnesses a sequential increase



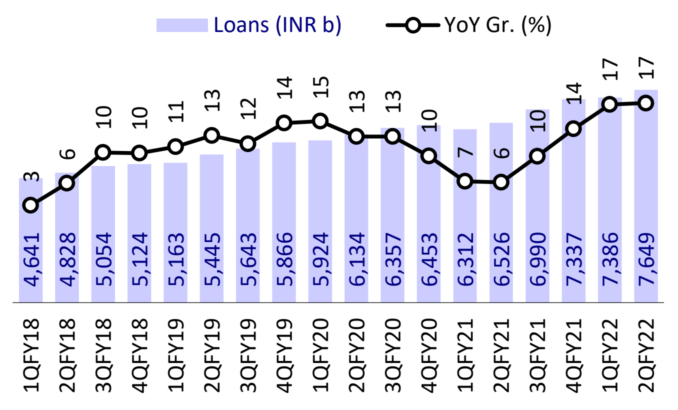
Source: MOFSL, Company

Exhibit 4: Core operating profit up 23% YoY



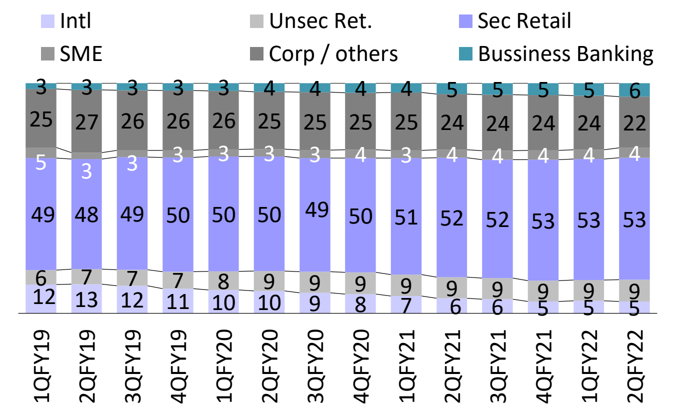
Source: MOFSL, Company

Exhibit 5: Overall loan book grew 17% YoY (+3.6% QoQ)



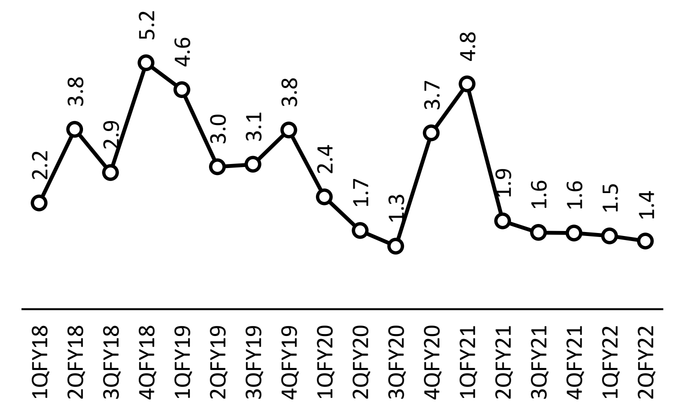
Source: MOFSL, Company

Exhibit 6: Retail loans continue to drive loan growth



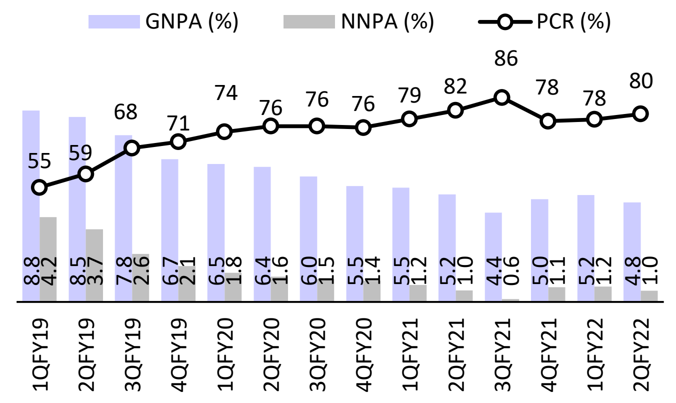
Source: MOFSL, Company

Exhibit 7: Credit cost moderates to 1.4% as the bank holds sufficient COVID-related provisions



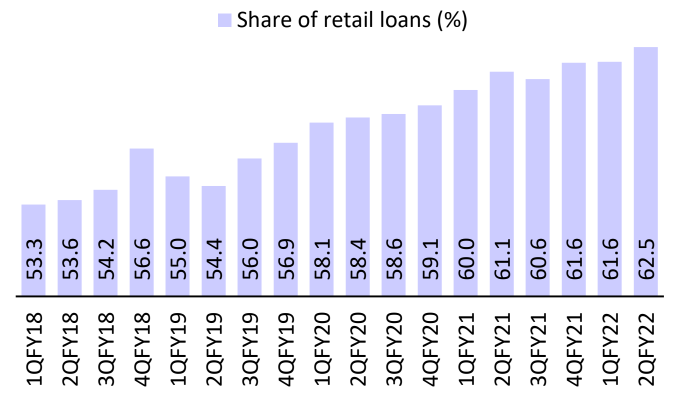
Source: MOFSL, Company

Exhibit 8: GNPA/NNPA ratio moderates by 33bp/17bp QoQ to 4.82%/0.99% as of Sep'21; PCR stood healthy at 80%



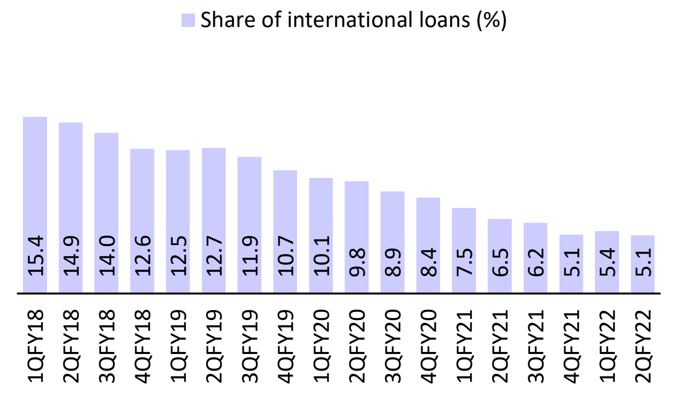
Source: MOFSL, Company

Exhibit 9: Share of Retail loans stood at 62.5% of total loans



Source: MOFSL, Company

Exhibit 10: Mix of International loans moderates to 5.1%



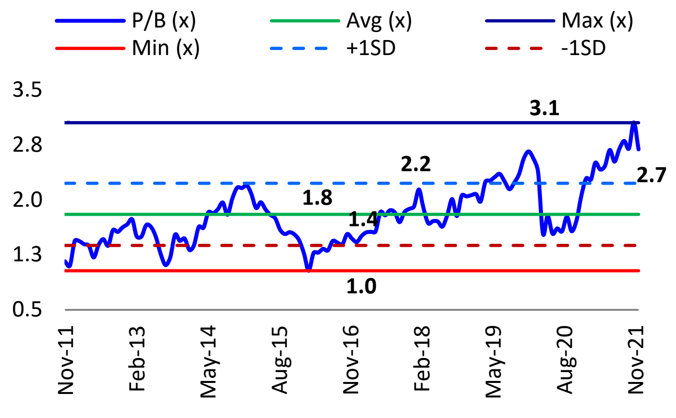
Source: MOFSL, Company

Valuation and view

- **Robust liability franchise:** ICICIBC continues to witness strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total/CASA deposits clocked ~17% CAGR each over FY16-21, thus enabling the bank to have one of the highest CASA mix among its peers. It has one of the lowest funding costs among Private Banks, which enables it to underwrite profitable business without taking undue Balance Sheet risk.
- **Asset quality improves** on the back of a moderation in slippages and higher recoveries/upgrades. GNPA/NNPA moderated to 4.82%/0.99% in 2Q v/s 5.15%/1.16% in 1QFY22. BB and below pool declines, while the restructuring book increased to ~1.3% of loans (~0.7% in 1QFY22). The bank is carrying 20% provisions, higher than the regulatory requirement. We expect slippages to moderate significantly over 2HFY22. PCR remains healthy at 80.3%, which, along with the additional provision buffer of INR64.2b, should keep credit cost under check. We estimate a credit cost of 1.3%/1.1% for FY22E/FY23E.
- Retail fees constitute ~78% of total bank fees, signifying granularity in fee income. The latter picked up in 2QFY22, and we expect the momentum to continue as business activity picks up further.

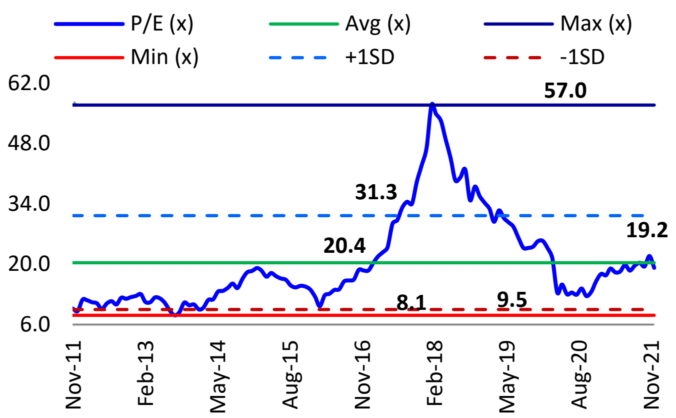
- **Valuation and view:** ICICIBC continues to report a strong core PPOP performance, controlled provisions, and robust asset quality, with NNPA ratio (less than 100bp) at the lowest level since Dec'14. The steady mix of a high yielding portfolio (Retail/Business Banking) and a low cost liability franchise is aiding margin expansion. The bank appears firmly positioned to deliver healthy, sustainable growth supported by continued investments in technology and expansion in its digital offerings. ICICIBC is seeing a strong demand recovery in consumption loans, led by both secured and unsecured Retail, while Business Banking and SME portfolios have emerged as strong growth engines. The bank has demonstrated a resilient asset quality performance and credit cost is likely to stay under control, supported by higher provisioning coverage (~80%), contingency provisions at 0.8% of loans, and a controlled slippage run-rate. We estimate ICICIBC to deliver ~25% earnings CAGR over FY22-24E, while RoA/RoE improves to 2%/16.6% by FY24E. ICICIBC remains our top **Buy** in the sector. We reiterate our Buy rating with a SoTP based TP of INR1,000 (2.8x Sep'23E ABV).

Exhibit 11: One-year forward P/BV



Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Exhibit 13: SoTP-based pricing

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	**100**	**5,551**	**800**	**80.0**	❖ **2.8x Sep'23E ABV**
ICICI Pru Life Insurance	51	574	84	8.4	❖ 2.7x Sep'23E Embedded Value
ICICI Lombard Gen. Ins	48	428	63	6.3	❖ 34x Sep'23E PAT
ICICI Pru AMC	51	329	49	4.9	❖ 30x Sep'23E PAT
ICICI Securities	75	248	36	3.6	❖ 21x Sep'23E PAT
ICICI Bank UK	100	30	4	0.4	❖ 0.8x Sep'23E Net-worth
ICICI Bank Canada	100	32	5	0.5	❖ 0.8x Sep'23E Net-worth
Others (Ventures, Home Finance, PD)	100	65	9	0.9	
Total Value of Ventures		**1,707**	**250**	**25.0**	
Less: 20% holding Discount		341	50	5.0	
Value of Key Ventures (Post Holding Co. Disc)		**1,366**	**200**	**20.0**	
Target Price Post 20% Holding Co. Disc.		**6,917**	**1,000**		

Exhibit 14: DuPont Analysis: Return ratio to witness a healthy pick up

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	7.26	6.66	6.88	7.25	6.79	6.85	6.97	7.07
Interest Expense	4.34	3.87	3.95	4.03	3.45	3.21	3.23	3.21
Net Interest Income	**2.91**	**2.79**	**2.93**	**3.23**	**3.35**	**3.64**	**3.74**	**3.86**
Core Fee Income	1.54	1.32	1.26	1.28	1.27	1.05	0.87	0.91
Trading and others	1.07	0.79	0.31	0.32	0.36	0.38	0.61	0.60
Non-Interest income	**2.61**	**2.11**	**1.57**	**1.59**	**1.63**	**1.43**	**1.48**	**1.51**
Total Income	**5.53**	**4.90**	**4.50**	**4.82**	**4.98**	**5.08**	**5.22**	**5.37**
Operating Expenses	**1.98**	**1.90**	**1.96**	**2.10**	**1.85**	**2.02**	**2.06**	**2.05**
Employee cost	0.77	0.72	0.74	0.80	0.69	0.75	0.75	0.74
Others	1.21	1.19	1.22	1.29	1.16	1.27	1.31	1.31
Operating Profits	**3.55**	**3.00**	**2.54**	**2.72**	**3.13**	**3.05**	**3.16**	**3.33**
Core operating Profits	**2.48**	**2.21**	**2.23**	**2.41**	**2.77**	**2.67**	**2.56**	**2.73**
Provisions	**2.04**	**2.10**	**2.13**	**1.36**	**1.39**	**0.82**	**0.74**	**0.73**
NPA	1.97	1.73	1.82	0.85	0.93	0.79	0.70	0.68
Others	0.07	0.37	0.31	0.51	0.47	0.03	0.04	0.04
PBT	**1.51**	**0.90**	**0.41**	**1.36**	**1.73**	**2.23**	**2.42**	**2.60**
Tax	0.20	0.08	0.04	0.59	0.34	0.54	0.58	0.62
RoA	**1.31**	**0.82**	**0.36**	**0.77**	**1.39**	**1.70**	**1.84**	**1.98**
Leverage	8.1	8.3	8.9	9.4	9.0	8.5	8.4	8.4
RoE	**10.7**	**6.8**	**3.2**	**7.3**	**12.6**	**14.4**	**15.5**	**16.6**
Core RoE	**12.1**	**7.6**	**3.6**	**8.0**	**13.6**	**15.3**	**16.3**	**17.4**

Financials and valuations

Income Statement								(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	541.6	549.7	634.0	748.0	791.2	896.8	1,043.9	1,231.4
Interest Expended	324.2	319.4	363.9	415.3	401.3	420.1	483.7	559.5
Net Interest Income	**217.4**	**230.3**	**270.1**	**332.7**	**389.9**	**476.7**	**560.2**	**671.9**
Growth (%)	2.4	5.9	17.3	23.1	17.2	22.3	17.5	19.9
Other Income	195.0	174.2	145.1	164.5	189.7	187.8	221.6	263.7
Total Income	**412.4**	**404.5**	**415.3**	**497.2**	**579.6**	**664.5**	**781.8**	**935.6**
Growth (%)	12.8	-1.9	2.7	19.7	16.6	14.6	17.7	19.7
Operating Exp.	147.6	157.0	180.9	216.1	215.6	264.7	308.2	356.1
Operating Profits	**264.9**	**247.4**	**234.4**	**281.0**	**364.0**	**399.7**	**473.6**	**579.4**
Growth (%)	11.0	-6.6	-5.3	19.9	29.5	9.8	18.5	22.4
Core PPP	**178.6**	**189.5**	**221.0**	**264.6**	**312.2**	**342.8**	**411.0**	**510.6**
Growth (%)	-11.0	6.1	16.6	19.7	18.0	9.8	19.9	24.2
Provisions & Cont.	152.1	173.1	196.6	140.5	162.1	107.4	110.9	126.4
PBT	**112.8**	**74.3**	**37.8**	**140.5**	**201.8**	**292.3**	**362.7**	**453.0**
Tax	14.8	6.6	4.1	61.2	39.9	70.2	87.0	108.7
Tax Rate (%)	13.1	8.8	10.9	43.5	19.8	24.0	24.0	24.0
PAT	**98.0**	**67.8**	**33.6**	**79.3**	**161.9**	**222.2**	**275.6**	**344.3**
Growth (%)	0.8	-30.9	-50.4	135.8	104.2	37.2	24.1	24.9

Balance Sheet								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	12.8	12.9	12.9	12.9	13.8	13.8	13.8	13.8
Reserves & Surplus	979.0	1,038.7	1,070.8	1,152.1	1,461.2	1,668.2	1,925.7	2,247.2
Net Worth	**995.3**	**1,051.6**	**1,083.7**	**1,165.0**	**1,475.1**	**1,682.1**	**1,939.5**	**2,261.1**
Deposits	**4,900.4**	**5,609.8**	**6,529.2**	**7,709.7**	**9,325.2**	**10,817.3**	**12,656.2**	**14,871.0**
Growth (%)	16.3	14.5	16.4	18.1	21.0	16.0	17.0	17.5
Of which CASA Deposits	**2,468.2**	**2,899.3**	**3,239.4**	**3,478.2**	**4,316.2**	**4,954.3**	**5,885.1**	**6,989.4**
Growth (%)	27.8	17.5	11.7	7.4	24.1	14.8	18.8	18.8
Borrowings	1,472.1	1,828.6	1,653.2	1,629.0	916.3	693.2	703.6	714.2
Other Liabilities & Prov.	350.1	302.0	378.5	479.9	587.7	675.9	777.2	893.8
Total Liabilities	**7,717.9**	**8,791.9**	**9,644.6**	**10,983.6**	**12,304.3**	**13,868.3**	**16,076.5**	**18,740.1**
Current Assets	757.1	841.7	803.0	1,191.6	1,331.3	1,431.5	1,527.2	1,621.3
Investments	**1,615.1**	**2,029.9**	**2,077.3**	**2,495.3**	**2,812.9**	**3,122.3**	**3,653.1**	**4,274.1**
Growth (%)	0.7	25.7	2.3	20.1	12.7	11.0	17.0	17.0
Loans	**4,642.3**	**5,124.0**	**5,866.5**	**6,452.9**	**7,337.3**	**8,511.3**	**10,043.3**	**11,951.5**
Growth (%)	6.7	10.4	14.5	10.0	13.7	16.0	18.0	19.0
Net Fixed Assets	**78.1**	**79.0**	**79.3**	**84.1**	**88.8**	**97.7**	**105.5**	**113.9**
Other Assets	625.3	717.3	818.5	759.8	734.1	705.6	747.5	779.3
Total Assets	**7,717.9**	**8,791.9**	**9,644.6**	**10,983.7**	**12,304.3**	**13,868.3**	**16,076.5**	**18,740.1**

Asset Quality								
GNPA	425.5	540.6	462.9	414.5	414.6	404.5	438.7	474.4
NNPA	256.1	278.9	135.8	100.5	92.5	74.7	81.9	86.8
GNPA Ratio (%)	8.8	10.0	7.5	6.1	5.4	4.6	4.2	3.8
NNPA Ratio (%)	5.4	5.4	2.3	1.6	1.3	0.9	0.8	0.7
Slippage Ratio (%)	8.0	6.1	2.0	2.2	2.3	2.8	2.2	2.0
Credit Cost (%)	3.3	3.5	3.6	2.3	2.4	1.3	1.1	1.1
PCR (Excl. Technical write off) (%)	39.8	48.4	70.7	75.7	77.7	81.5	81.3	81.7

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Yield and Cost Ratios (%)								
Avg. Yield - Earning Assets	**8.3**	**7.7**	**7.9**	**8.2**	**7.6**	**7.6**	**7.7**	**7.7**
Avg. Yield on loans	8.8	8.4	8.7	9.3	8.3	8.7	8.7	8.7
Avg. Yield on Investments	7.1	6.3	6.2	6.4	6.2	5.9	6.0	6.0
Avg. Cost-Int. Bear. Liabilities	**5.3**	**4.6**	**4.7**	**4.7**	**4.1**	**3.9**	**3.9**	**3.9**
Avg. Cost of Deposits	5.0	4.5	4.4	4.6	3.9	3.7	3.8	3.8
Interest Spread	**3.4**	**3.0**	**3.3**	**3.5**	**3.5**	**3.8**	**3.8**	**3.9**
Net Interest Margin	**3.3**	**3.2**	**3.4**	**3.7**	**3.7**	**4.0**	**4.1**	**4.2**
Capitalisation Ratios (%)								
CAR	17.4	17.9	16.9	16.1	18.9	18.4	17.8	17.3
Tier I	*14.4*	*15.6*	*15.1*	*14.7*	*17.8*	*17.5*	*17.0*	*16.6*
Tier II	*3.0*	*2.3*	*1.8*	*1.4*	*1.1*	*0.9*	*0.8*	*0.7*
Business and Efficiency Ratios (%)								
Loan/Deposit Ratio	94.7	91.3	89.8	83.7	78.7	78.7	79.4	80.4
CASA Ratio %	50.4	51.7	49.6	45.1	46.3	45.8	46.5	47.0
Cost/Assets	1.9	1.8	1.9	2.0	1.8	1.9	1.9	1.9
Cost/Total Income	35.8	38.8	43.6	43.5	37.2	39.8	39.4	38.1
Cost/Core Income	45.2	45.3	45.0	45.0	40.8	43.6	42.9	41.1
Int. Expended/Int. Earned	59.9	58.1	57.4	55.5	50.7	46.8	46.3	45.4
Other Inc./Net Income	47.3	43.1	34.9	33.1	32.7	28.3	28.3	28.2
Emp. Cost/Op. Exp.	38.9	37.7	37.6	38.3	37.5	37.0	36.5	36.0

Valuation	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
RoE (%)	10.7	6.8	3.2	7.3	12.6	14.4	15.5	16.6
Core RoE (%)	12.1	7.6	3.6	8.0	13.6	15.3	16.3	17.4
RoA (%)	1.3	0.8	0.4	0.8	1.4	1.7	1.8	2.0
RoRWA (%)	1.6	1.1	0.5	1.0	1.9	2.4	2.5	2.7
Standalone ABV	120.2	115.3	135.5	151.3	187.3	219.8	256.9	303.5
ABV Growth (%)	2.7	-4.0	17.5	11.6	23.8	17.3	16.9	18.1
Adjusted Price-ABV (x)	**4.3**	**4.5**	**3.8**	**3.4**	**2.8**	**2.4**	**2.0**	**1.7**
Consol. Book Value (INR)	179.6	172.1	177.2	189.9	227.8	259.4	297.6	343.9
BV Growth (%)	11.0	-4.2	3.0	7.2	19.9	13.9	14.7	15.5
Price-Consol. BV (x)	**4.0**	**4.2**	**4.0**	**3.8**	**3.1**	**2.8**	**2.4**	**2.1**
EPS (INR)	16.8	11.1	5.2	12.3	24.2	32.1	39.8	49.8
EPS Growth (%)	0.5	-34.3	-52.8	135.0	97.0	32.8	24.1	24.9
Adj. Price-Earnings (x)	**30.7**	**46.7**	**98.9**	**42.1**	**21.4**	**16.1**	**13.0**	**10.4**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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