

ICICI Bank Ltd.



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Another strong quarter; Meeting all its targets

CMP INR 847	Target INR 955	Potential Upside 19.6%	Market Cap (INR Mn) INR 54,99,417	Recommendation BUY	Sector Banking
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Result Highlights of Q3 FY22

- Net interest income (NII) increased by 23% YoY to INR 1,22,360 Mn in Q3FY22 from INR 99,125 Mn in Q3FY21. The net interest margin was 3.98% in Q3FY22 vs 3.67% in Q3FY21.
- Core operating profit (profit before provisions and tax, excluding treasury income) grew by 25% YoY in Q3FY22. Non-interest income, excluding treasury income, grew by 25% YoY. Fee income grew by 19% YoY to INR 42,910 Mn in Q3FY22.
- Provisions (excluding provision for tax) declined by 27% YoY to INR 20,073 Mn in Q3FY22.
- The profit after tax grew by 25.4% YoY to INR 61,938 Mn in Q3FY22 compared to INR 49,396 Mn in Q3FY21.
- Total deposits increased by 16% YoY and 4% sequentially to INR 1,01,74,667 Mn while advances grew 16.4% YoY at INR 81,39,916 Mn as on 31st December 2021.
- Net NPA ratio declined from 0.99% as on Sept 30, 2021, to 0.85% as of December 2021. The capital adequacy ratio was 19.79%.

MARKET DATA

Shares outs (Mn)	6,943
Equity Cap (INR Mn)	16,28,716
Mkt Cap (INR Mn)	54,99,417
52 Wk H/L (INR)	867/512
Volume Avg (3m K)	15,949
Face Value (INR)	2
Bloomberg Code	ICICIB IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22E	FY 23E	FY 24E
NII	3,32,671	3,89,894	4,79,252	5,50,143	6,12,624
PPOP	2,81,013	3,63,971	4,19,692	4,74,691	5,48,325
PAT	79,308	1,61,927	2,37,628	2,76,928	3,17,916
EPS	12.3	23.4	34.2	39.9	45.8
NIM	3.7%	3.9%	4.0%	4.6%	5.1%
Advances Growth	10.0%	13.7%	16.0%	18.0%	18.0%

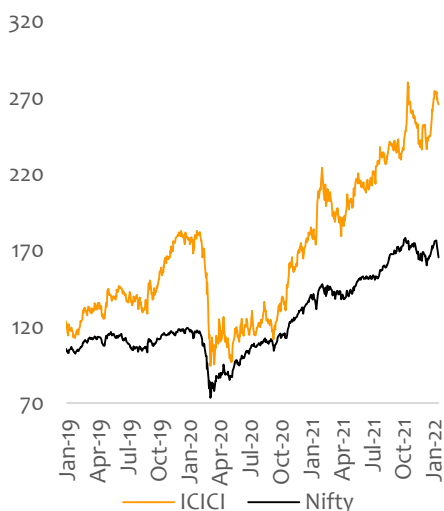
Source: Company, KRChoksey Research

Asset quality sees further improvement: GNPA/ NNPA stood at 4.13%/ 0.85% in Q3FY22 vs 4.82%/ 0.99% in Q2FY22, respectively. ICICI Bank's Gross NPA addition in Q3FY22 declined to INR 40,180 Mn from INR 55,780 Mn in Q2FY22. The provisions coverage ratio (PCR) stood at 79.9% in Q3FY22. ICICIB continues to hold Covid-19 provisions of INR 64,250 Mn as of December 31, 2021. The loan and non-fund based outstanding to performing borrowers rated BB and below reduced to INR 1,18,420 Mn as of December 31, 2021, from INR 1,27,140 Mn as of September 30, 2021. The asset quality has seen a strong improvement with a declining rate of slippages and healthy recoveries & upgrades of the accounts. We expect a further decline in slippages to continue in Q4FY22E. We expect credit costs to be around 1.3%/1.1%/1.1% in FY22E/FY23E/FY24E, respectively. The buffer provisions remain at a comfortable level and will aid in having tighter control on the credit cost.

Business traction remains strong: Deposits grew 16% YoY in Q3FY22. Deposit growth was supported by a strong CASA growth of 21.6% YoY. Average CASA ratio stood at 45% in Q3FY22. The term deposits grew by 12% YoY. The CASA ratio improvement led to a lower cost of funds, helping offset the pressure of yields on NIMs. The loan book for the quarter grew 16% YoY in line with the deposits, driven by 19% retail loan growth. Disbursements in Q3FY22 for retail portfolio have improved, reaching the pre-Covid levels. The value of credit card spending in Q3FY22 was 2.2x the value of credit cards spent in Q3FY21 and grew by 27%. The wholesale loan book saw a growth of 18%/6% YoY/QoQ, respectively. The business growth momentum continues to be highly encouraging and is expected to sustain in upcoming years. We expect advances to grow at 17% CAGR while deposits to grow at 16.5% CAGR over FY21-24E on the back of strong business momentum across all segments.

Core profitability metrics improves with robust growth in operating parameters: NII grew 23.4% YoY in Q3FY22, with stable NIMs at 4.0%. The cost of funds continues to be among the lowest in the system. The bank expects CoF to stabilize from this level. PPOP grew 15% YoY aided by healthy NII growth and strong fee income growth of 19% YoY in Q3FY22. The quarter's cost to income ratio stood at 41.1% against 39.9% in Q2FY22 and 39.6% in Q3FY21. Provisions (excluding tax provision) declined by 26.8% YoY to INR 20,083 Mn in Q3FY22. Overall, a robust performance on every parameter helped boost the PAT to INR 61,938 Mn, a growth of 25.4% YoY. We anticipate NII to see a healthy growth of 16.3% CAGR and an operating profit of 14.6% CAGR over FY21-24E.

SHARE PRICE PERFORMANCE

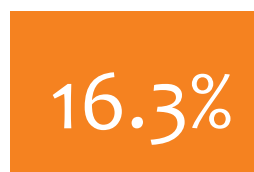


MARKET INFO

SENSEX	57,492
NIFTY	17,149

SHARE HOLDING PATTERN (%)

Particulars	Dec-21	Sept-21	Jun-21
Promoters	0	0	0
FIIIs	45.3	47.3	47.8
DIIIs	44.0	42.7	42.2
Others	10.7	10.0	10.0
Total	100	100	100



NII CAGR between FY21 and FY24E



PAT CAGR between FY21 and FY24E

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Key Concall Highlights:

- The bank's Ultra Frequency Index comprising several high-frequency indicators indicated a sustained improvement in economic activity. This was on the back of improvement in indicators such as power demand, rail freight revenues, e-way bill generation and labor force participation.
- ICICIBC aims to create a holistic value proposition for its customers through a 360-degree customer-centric approach and focus on opportunities across client and segment ecosystems.
- In Q3FY22, the core operating profit growth was in a risk calibrated manner through the focused pursuit of target market segments. As a result, ICICIBC sees many opportunities to grow its core operating profit in a risk calibrated manner going ahead.
- Disbursements across various retail products have increased or were at a similar level compared to Q2FY22.
- The cost of funds of ICICIBC is the lowest in the system and is expected to stabilize.
- The growth in its SME and business banking portfolio has been driven by its digital offerings and platforms like InstaBIZ and Merchant STACK.
- The solutions for corporates comprising ICICIBC's various modular platforms and its extensive client coverage have supported its average current account deposits growth.
- The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was INR 118.42 bn as of December 31, 2022, compared to INR 127.14 bn as of September 30, 2021.
- In Q3FY22, the flows related to IPOs and capital markets was high and contributed to the average current account balances.
- The sequential decline in net interest margin during Q3FY22 was mainly due to a reduction in the yield on the advances, partly offset by the declining cost of deposits and higher interest on income tax refunds.
- Dividend income from subsidiaries and listed entities were INR 6.03 bn in Q3FY22 compared to INR 3.56 bn in Q3FY21. This quarter's dividend income includes the interim dividend of ICICI General and a higher interim dividend from ICICI Securities and ICICI AMC compared to last year.
- ICICIBC continued to invest in technology to enhance its offerings to customers and the scalability, flexibility and resilience of its technology architecture. The technology expenses were about 8.4% of the total operating expenses during 9MFY22.
- The proportion of end-to-end digital approvals and disbursements across various products has been increasing steadily.
- The liquidity coverage ratio for the quarter was 130%, reflecting continued surplus liquidity.
- The domestic corporate loan portfolio growth was 12.5% YoY and 9% sequentially as of 31st December 2021. Disbursements drove the growth to well-rated corporate and in line with a risk framework.

Valuation and view

The bank's performance in Q3FY22 remains above our expectations, and the bank continues to see a strong business growth momentum. Slippages for Q3FY22 moderate, further improving the asset quality for the quarter. The strong growth in fee income aided by a pickup in the business activities and improving credit card business traction resulted in a strong operating performance. The bank will likely benefit in the long run from its efforts to increase market share in advances while also strengthening the liabilities franchise. Compared to its peers, ICICIBC is in a strong position across all metrics. We have factored in CAGR 25.2% growth in profits over FY21-24E on an 17.3% CAGR growth in advances and 16.3% CAGR growth in NII. **Since our last update, the shares of ICICI Bank have appreciated by ~8%. We have applied a P/ABV multiple of 2.5x to the FY24E ABV of INR 316 per share, implying a SOTP valuation of INR 955 per share (unchanged). It has a potential upside of 19.6% at the CMP of INR 798 per share. As a result, we maintain our "BUY" 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%	789.9
ICICI Prudential Life Insurance	2.5x FY24 EV	51.4%	82.3
ICICI Lombard General Insurance	Current MCAP	51.9%	48.8
ICICI Prudential AMC	5% of FY24E AUM	51%	17.7
ICICI Securities	Current MCAP	77.2%	25.6
ICICI Home Finance	2x FY24 BV	100.0%	4.7
ICICI Bank UK Plc	1x FY24 BV	100.0%	8.0
ICICI Bank Canada	1x FY24 BV	100.0%	7.0
Holding Co. Discount			15%
Value of subs after discount (INR Per share)			165
Value of Total			955
CMP			798
Upside			19.6%

Source: Company, KRChoksey Research

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KEY FINANCIALS (standalone)

Exhibit 1: Profit & Loss Statement

INR Mn	FY20	FY21	FY 22E	FY 23E	FY 24E
Interest Income	7,47,983	7,91,183	8,95,724	10,45,653	12,28,115
Interest Expense	4,15,313	4,01,288	4,16,472	4,95,511	6,15,492
Net Interest Income	3,32,671	3,89,894	4,79,252	5,50,143	6,12,624
Non interest income	1,64,486	1,89,685	1,95,540	2,09,549	2,39,190
Operating income	4,97,157	5,79,580	6,74,792	7,59,691	8,51,814
- Employee expense	82,712	80,918	93,055	1,07,014	1,23,066
- Other operating expense	1,33,432	1,34,691	1,62,045	1,77,986	1,80,424
Operating Expense	2,16,144	2,15,608	2,55,100	2,85,000	3,03,490
PPOP	2,81,013	3,63,971	4,19,692	4,74,691	5,48,325
Provisions	1,40,532	1,62,144	1,02,135	1,05,454	1,24,436
PBT	1,40,480	2,01,827	3,17,557	3,69,237	4,23,888
Tax Expense	61,172	39,900	79,929	92,309	1,05,972
PAT	79,308	1,61,927	2,37,628	2,76,928	3,17,916
Diluted EPS (INR)	12.1	23.4	34.2	39.9	45.8

Source: Company, KRChoksey Research

ICICI Bank Ltd.

Exhibit 2: Balance Sheet

INR Mn	FY20	FY21	FY22E	FY 23E	FY 24E
Source of Funds					
Share capital	12,948	13,834	13,887	13,887	13,887
Reserves & Surplus	11,52,062	14,61,227	16,98,854	19,75,782	22,93,698
Networth	11,65,009	14,75,061	17,12,741	19,89,669	23,07,585
ESOP	35	31	31	31	31
Borrowings	16,28,968	9,16,310	9,71,288	10,48,991	11,32,911
Deposits	77,09,690	93,25,222	1,07,50,976	1,25,84,477	1,47,32,757
Other liabilities & provisions	4,79,950	5,87,704	3,32,668	-83,358	-2,59,887
Total Equity & Liabilities	1,09,83,652	1,23,04,327	1,37,67,704	1,55,39,809	1,79,13,396
Uses of Funds					
Balances w/ banks & others	11,91,557	13,31,283	12,49,132	9,57,211	8,17,556
Investments	24,95,315	28,12,865	31,95,315	36,95,315	44,00,765
Loans & advances	64,52,900	73,37,291	85,11,257	1,00,43,284	1,18,51,075
Fixed assets	84,103	88,776	92,000	94,000	94,000
Other assets	7,59,777	7,34,112	7,20,000	7,50,000	7,50,000
Total Assets	1,09,83,652	1,23,04,327	1,37,67,704	1,55,39,809	1,79,13,396

Source: Company, KRChoksey Research

ICICI Bank Ltd.

Exhibit 3: Ratio Analysis

Key Ratio	FY20	FY21	FY22E	FY 23E	FY 24E
Growth Rates					
Advances (%)	10.0%	13.7%	16.0%	18.0%	18.0%
Deposits (%)	18.1%	21.0%	15.3%	17.1%	17.1%
Total assets (%)	13.9%	12.0%	11.9%	12.9%	15.3%
NII (%)	23.1%	17.2%	22.9%	14.8%	11.4%
Pre-provisioning profit (%)	19.9%	29.5%	15.3%	13.1%	15.5%
PAT (%)	135.8%	104.2%	46.8%	16.5%	14.8%
B/S Ratios					
Credit/Deposit (%)	83.7%	78.7%	79.2%	79.8%	80.4%
CASA (%)	45.1%	46.3%	44.1%	43.6%	43.2%
Advances/Total assets (%)	58.8%	59.6%	61.8%	64.6%	66.2%
Leverage - Total Assets to Equity	9.43	8.34	8.04	7.81	7.76
Operating efficiency					
Cost/income (%)	43.5%	37.2%	37.8%	37.5%	35.6%
Opex/total assets (%)	2.2%	2.6%	2.7%	2.6%	2.4%
Opex/total interest earning assets	2.9%	2.6%	3.2%	3.1%	2.8%
Profitability					
NIM (%)	3.7%	3.9%	4.0%	4.6%	5.1%
RoA (%)	0.8%	1.4%	1.8%	1.9%	1.9%
RoE (%)	7.1%	12.3%	14.9%	15.0%	14.8%
Asset quality					
Gross NPA (%)	6.14%	4.96%	4.03%	3.99%	3.96%
Net NPA (%)	1.84%	1.14%	0.98%	0.98%	0.96%
PCR (%)	71.4%	77.7%	76.3%	76.1%	76.5%
Credit cost (%)	1.9%	2.0%	1.3%	1.1%	1.1%
Per share data / Valuation					
EPS (INR)	12.3	23.4	34.2	39.9	45.8
BVPS (INR)	180.0	213.2	246.7	286.6	332.3
ABVPS (INR)	161.6	200.0	234.6	272.3	316.0
P/E (x)	65.1	34.1	23.3	20.0	17.4
P/BV (x)	4.4	3.7	3.2	2.8	2.4
P/ABV (x)	4.9	4.0	3.4	2.9	2.5

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
24-Jan-22	798	955	BUY	Buy	More than 15%
27-Dec-22	737	955	BUY		
25-Oct-21	847	955	ACCUMULATE	Accumulate	5% – 15%
31-Aug-21	712	787	ACCUMULATE		
26-Jul-21	680	787	BUY	Hold	0 – 5%
26-Apr-21	591	705	BUY		
17-Mar-21	595	640	ACCUMULATE	Reduce	-5% – 0
15-Dec-21	515	560	ACCUMULATE		
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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