

Retail Equity Research

ICICI Bank Ltd.

Banking

BSE CODE: 532174

NSE CODE: ICICIBANK

Bloomberg CODE: ICICIB:IN

SENSEX: 52,444

BUY

12 Months Investment Period Rating as per Large cap

 CMP Rs. 685 TARGET Rs. 788 RETURN 15% ↑
 (Closing: 28-07-21)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↓

Bottom-line aided by lower provisioning

ICICI Bank is India's second largest private sector bank and has a network of 5,268 branches and 14,141 ATMs across India with ~51% of branches in semi-urban and rural areas.

- For Q1FY22 standalone, Net interest income went up 17.8% YoY with marginal +20bps YoY expansion in NIM to 3.89%.
- Pre-provisioning profit reached Rs. 8,894cr (-17.5% YoY) impacted by 290bps YoY rise in cost-to-income ratio. However, PAT surged 77.6% with PCR 78.2%, owing to lowered provisions.
- Commercial and rural banking loans to act as growth catalyst in the upcoming quarter. Strong liquidity may be diverted into loan growth as credit demand recovers. Asset quality has been comparatively strong with bank having made adequate provisioning in-line with the risk profile. Hence, we maintain our rating as BUY and value the stock at 2.2x FY23E BVPS with a revised target price of Rs. 788 based on SOTP.

Bottom line benefits from lower provisioning

For Q1FY22 standalone, Net interest income went up 17.8% YoY to Rs. 10,936cr with marginal +20bps YoY expansion in NIM to 3.89%. Overall impact on interest spreads was positive as yields on advances was recorded as 8.26% (-104bps YoY), while cost of deposits also lowered to 3.65% (-88bps YoY). Cost-to-income ratio climbed to 40.4% (+290bps YoY). This was on account of higher non-employee operating expenses (47.7% YoY), which offset the rise in Fee income (52.9% YoY). Resultantly, pre-provisioning profit reached Rs. 8,894cr (-17.5% YoY). However, PAT surged 77.6% YoY to Rs. 4,616cr, on back of lower provisions in the quarter (-62.5% YoY).

Asset quality remains intact

Total Deposits and Advances remained stable at Rs. 926,224cr (-0.7% QoQ, 15.5% YoY) and Rs. 738,598cr (0.7% QoQ, 17.0% YoY). CASA ratio improved 120bps QoQ to 43.7%. Credit growth was driven by mortgages (24.0% YoY, 2.3% QoQ), Auto finance (15.0% YoY, flat QoQ) and rural loans (24.2% YoY, -1.6% QoQ). On asset quality front, GNPA/NNPA inched up to 5.15%/1.16% vs. 4.96%/1.14% respectively in the last quarter. Sector exposure to retail finance and services sector has changed to 40.5% and 9.5% (vs 39.3% and 9.9% in Q4FY21) respectively.

Key highlights

- For ICICI Prudential, VNB grew 78.1% YoY; VNB margin 29.4% (+430bps QoQ).
- Core operating profit to average assets ratio at 2.88% (vs. 2.95% in Q4FY21).
- Recoveries and upgrades were recorded at Rs. 3,627cr. COVID-19 provisions stood at Rs. 6,425cr as on June 2021 (vs. Rs. 7,475cr end of Q4FY21).
- The bank is well capitalized with total capital adequacy ratio at 18.71% and Tier-1 capital ratio at 17.68% at the end of this quarter.

Outlook & Valuation

We expect commercial and rural banking loans to act as growth catalyst in the upcoming quarter. Strong liquidity may be diverted into loan book growth as the credit demand recovers. The asset quality of the bank has been comparatively strong with bank having made adequate provisioning in line with the risk profile. Hence, we maintain our rating as BUY and value the stock at 2.2x FY23E BVPS with a revised target price of Rs. 788 based on SOTP valuation.

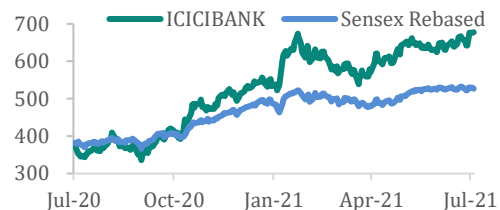
Company Data

Market Cap (cr)	Rs. 468,972
Outstanding Shares (cr)	692.1
Free Float	100.0%
Dividend Yield	0.3%
52 week high	Rs. 693
52 week low	Rs. 334
6m average volume (lacs)	9.3
Beta	1.4
Face value	Rs. 2

Shareholding %	Q3FY21	Q4FY21	Q1FY22
Promoters	0.0	0.0	0.0
FII's	47.4	47.8	48.0
MFs/Insti	42.9	42.2	42.0
Public	7.4	7.9	7.9
Others	2.3	2.1	2.2
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	13.2%	29.7%	89.0%
Absolute Sensex	7.4%	10.9%	38.6%
Relative Return*	5.7%	18.8%	50.4%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Net Interest Income	38,989	44,971	52,239
Growth (%)	17.2	15.3	16.2
NIM (%)	3.9	3.8	3.8
Pre-Provision Profit	36,397	40,357	46,985
Net Profit	16,193	21,706	26,580
Growth (%)	104.2	34.0	22.5
Adj. EPS	23.7	31.7	38.9
Growth (%)	66.7	34.0	22.5
BVPS	227.9	259.4	297.8
P/E	24.6	21.4	17.4
P/B	2.6	2.6	2.3
ROE (%)	12.3	13.8	14.7
ROA (%)	1.4	1.6	1.7

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY22	Q1FY21	YoY Growth %	Q4FY21	QoQ Growth %
Interest Income	20,383	19,924	2.3	19,842	2.7
Interest Expense	9,448	10,645	(11.2)	9,411	0.4
Net Interest Income (NII)	10,936	9,280	17.8	10,431	4.8
Non-Interest Income	3,996	6,143	(34.9)	4,111	(2.8)
Total Net Income	14,932	15,422	(3.2)	14,543	2.7
Total Income	24,379	26,067	(6.5)	23,953	1.8
Operating Expenses	6,037	4,646	29.9	6,003	0.6
Total Expenditure	15,485	15,291	1.3	15,413	0.5
Pre-Provision profit	8,894	10,776	(17.5)	8,540	4.1
Provisions	2,852	7,594	(62.4)	2,883	(1.1)
Profit Before Tax	6,043	3,183	89.9	5,657	6.8
Tax	1,427	583	144.6	1,254	(13.8)
Net Profit	4,616	2,599	77.6	4,403	4.8
Adj.	0	0	n.m.	0	n.m.
Adj. PAT	4,616	2,599	77.6	4,403	4.8
Adj. EPS - Diluted (Rs.)	6.5	4.0	64.3	6.3	4.6

SOTP Valuation

Particulars	Basis	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
ICICI Bank	FY23E ABV	2.2x	100%	453,351	655
Life Insurance	Geojit TP		51%	43,818	78
General Insurance	Geojit TP		52%	37,538	54
Securities	FY23E EPS	17.0x	75%	4,451	6
Others	FY23E EPS	15.0x	100%	18,544	27
Total value of subsidiaries				104,351	166
(20% holding discount)				(20,870)	(33)
Total Value				536,831	788

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Interest Income (NII)	43,095	51,062	44,971	52,239	4.4	2.3
Net Interest Margin (%)	3.9	4.1	3.8	3.8	(13bps)	(28bps)
Pre-Provision Profit	41,313	49,013	40,357	46,985	(2.3)	(4.1)
Net Profit	16,193	22,421	16,193	21,706	(0.0)	(3.2)
EPS (Rs.)	32.8	41.1	31.7	38.9	(3.3)	(5.5)



PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	63,401	74,798	79,118	89,432	101,834
Interest Exp.	36,386	41,531	40,129	44,460	49,596
Net Int. Income	27,015	33,267	38,989	44,971	52,239
% Change	17.3	23.1	17.2	15.3	16.2
Non-Int. Income	14,512	16,449	18,969	21,441	24,415
Net Income	41,527	49,716	57,958	66,412	76,653
Total Income	77,913	91,247	98,087	110,873	126,249
Operating Exp.	18,089	21,614	21,561	26,055	29,668
Total Exp.	54,475	63,146	61,690	70,516	79,264
Pre-Prov. Profit	23,438	28,101	36,397	40,357	46,985
Provisions	19,661	14,053	16,214	11,350	11,464
PBT	3,777	14,048	20,183	29,007	35,521
Tax	413	6,117	3,990	7,301	8,941
Tax Rate (%)	10.9	43.5	19.8	25.2	25.2
Net Profit	3,363	7,931	16,193	21,706	26,580
% Change	(50.4)	135.8	104.2	34.0	22.5
Adj.	0	1,391	0	0	0
Adj. Net Profit	3,363	9,322	16,193	21,706	26,580
No. of Shares (cr)	644	646	674	674	674
Adj. EPS (Rs.)	5.2	14.2	23.7	31.7	38.9
% Change	(50.6)	174.8	66.7	34.0	22.5
DPS (Rs.)	1.0	0.0	2.0	2.7	3.3

BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash & Balances	37,858	35,284	46,031	52,936	60,876
Investments	207,733	249,531	281,287	315,041	352,846
Advances	586,647	645,290	733,729	953,848	1,001,540
Fixed Assets	7,931	8,410	8,878	9,321	9,788
Other Assets	124,290	159,849	160,508	198,773	247,607
Total Assets	964,459	1,098,365	1,230,433	1,529,919	1,672,657
Capital	1,289	1,295	1,383	1,383	1,383
Reserves & Surplus	107,074	115,206	146,123	166,534	191,379
Deposits	652,920	770,969	932,522	1,044,425	1,169,756
Borrowings	165,320	162,897	91,631	100,794	110,873
Other Liabilities	37,851	47,995	58,770	216,780	199,262
Total Liabilities	964,459	1,098,365	1,230,433	1,529,919	1,672,657
BVPS (Rs.)	168	181	228	259	298
% Change	2.8	7.5	26.1	13.8	14.8

RATIOS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Valuation					
P/E (x)	77.5	22.9	24.6	21.4	17.4
P/BV (x)	2.4	1.8	2.6	2.6	2.3
Div. Yield (%)	0.2	0.0	0.3	0.4	0.5
Profitab. & Return (%)					
Yield on Advances	8.7	9.3	8.3	8.4	8.4
Cost of Deposits	4.7	4.7	4.1	4.1	4.1
Spread	4.1	4.6	4.2	4.3	4.3
NIM	3.4	3.8	3.9	3.8	3.8
ROE	3.2	7.1	12.3	13.8	14.7
ROA	0.4	0.8	1.4	1.6	1.7
Capital Adequacy (%)					
CAR	16.9	16.1	19.1	17.8	19.0
Tier I	15.1	14.7	18.1	17.2	17.2
Tier II	1.8	1.4	1.1	0.6	1.8
Asset Quality (%)					
GNPA	6.7	5.5	5.0	5.8	5.9
NNPA	2.1	1.4	1.1	1.5	1.6
Operating Ratios (%)					
Credit/ Deposit	89.8	83.7	78.7	91.3	85.6
Cost/ Income	43.6	43.5	37.2	39.2	38.7
CASA	49.6	45.1	46.3	45.8	45.3

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
30-Aug-18	HOLD	345
21-Nov-18	HOLD	375
22-Aug-19	HOLD	453
5-Nov-19	BUY	520
29-Jan-20	BUY	592
1-Jun-20	BUY	420
5-Jun-20	BUY	420
3-Aug-20	BUY	415
7-Nov-20	BUY	496
3-Feb-21	BUY	697
29-Apr-21	BUY	723
29-Jul-21	BUY	788

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose

his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: GEOJIT's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. " (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

