

RoA at its high; Margins remained resilient

CMP: INR 747

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)	5,19,363
52w H/L (INR)	860 / 547
Avg Yearly Vol (in 000')	17,023

Shareholding Pattern %

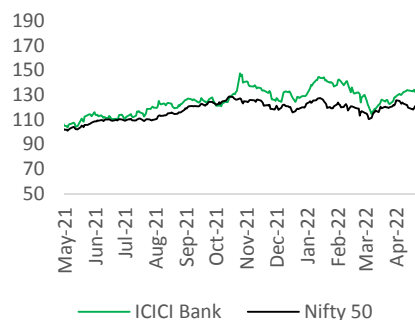
(As on March, 2021)

Promoters	NIL
FII	44.0
DII	44.6
Public & Others	11.5

Stock Performance (%)

	1m	3m	12m
ICICI Bank	4.1	-7.1	29.1
Nifty 50	-0.9	-2.5	19.2

ICICI Bank Vs Nifty 50



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ICICI Bank reported profit of INR 7,019 cr (+59% YoY/+13% QoQ) was 10% higher than our estimate driven by a sharp decline in provision (-63% YoY/-47% QoQ) and consistent strong operating performance. NII for the quarter grew by 21% YoY/3% QoQ to INR 12,605 cr, led by strong advances growth of 17% YoY. Operating profit of the bank increased by 21% YoY/1% QoQ to INR 10,293 cr driven by strong operating income growth. Other income for the quarter grew by 15% YoY to INR 4,737 cr. Asset quality of the bank improved with GNPA at 3.6% vs. 4.1% QoQ led by strong recoveries & upgrades and negative net slippages. Restructuring pool of the bank declined from 120 bps to 100 bps QoQ at INR 8,267 cr. The sequential decline in outstanding balance was mainly due to prepayment by a borrower in the construction sector. Bank has made additional contingent provision of INR 1,025 cr during the quarter and holds provision buffer of INR 7,450 cr (0.9% of advances) which provides comfort over balance sheet position.

NIM remained resilient: NIM of the bank improved by 4bps QoQ at 4% led by 12bps improvement in yield on advances. However, going forward margin will remain under check given the higher competition and bottoming out of cost of funds.

Loan growth remained strong driven by SME and Retail portfolio: Total loan growth for the quarter was at 17% YoY/5.5% QoQ (vs +16% YoY in Q3FY22) was mainly led by retail loan growth of 20% YoY and SME portfolio growth of 34% YoY/11% QoQ. Corporate advances growth was at 10% YoY. Within retail, PL and credit card portfolio grew by 10% QoQ and mortgage business grew by 20% YoY/5% QoQ. Growth in business banking remained robust at 43% YoY. Domestic loan book growth for the quarter was at 18% YoY while overseas book increased by 10% YoY. Deposits growth remained strong at 14% YoY/5% QoQ with CASA ratio of 48.7% an improvement of 146bps QoQ.

Strong recovery led to an improvement in asset quality: Slippages for the quarter came in at INR 4,204 cr (slippage ratio at 2% vs. flat QoQ), of which INR 3,736 cr was from retail and INR 468 cr from Corporate and SME. Recoveries during the quarter were higher at INR 4,693 cr (vs. INR 4,209 cr in Q3FY22). Hence, net addition to the NPA was negative at INR 489 cr. GNPA/NNPA of the bank improved by 53bps/9bps QoQ at 3.6%/0.8% respectively. BB and below rated book of the bank declined further by 9% QoQ at 1.3%.

Valuation & View: Credit cost was substantially lower during the quarter with strong operating performance, better recoveries and all time high NIM which has resulted into best return ratios with high RoA at ~2%. Balance sheet position of the bank remained comfortable. We continue to maintain our positive stance on the bank led by its leveraging digital capabilities, gaining market share position, strong liability franchise and high margins. We expect bank to achieve standalone ROAs of 1.8% and ROEs of +14-15% by FY24E. 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
EPS (INR / Share)	12.3	23.4	33.6	43.2	48.5
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)	4.7	3.9	3.3	2.8	2.4

Q4FY22 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q4FY22	Q3FY22	Q4FY21	Q-o-Q	Y-o-Y
Interest Income	22,675	22,083	19,842	2.7%	14.3%
Interest Expended	10,070	9,847	9,411	2.3%	7.0%
Net Interest Income	12,605	12,236	10,431	3.0%	20.8%
Other Income	4,737	4,987	4,111	-5.0%	15.2%
Operating Income	17,342	17,223	14,542	0.7%	19.3%
Operating Expenses	7,049	7,075	6,003	-0.4%	17.4%
Employee Expenses	2,429	2,485	2,008	-2.3%	20.9%
Other Operating Expenses	4,620	4,590	3,994	0.7%	15.7%
PPOP	10,293	10,148	8,540	1.4%	20.5%
Provisions	1,069	2,007	2,883	-46.7%	-62.9%
PBT	9,224	8,141	5,656	13.3%	63.1%
Tax Expenses	2,205	1,947	1,254	13.3%	75.9%
Net Income	7,019	6,194	4,403	13.3%	59.4%
Balance Sheet Analysis					
Advances	8,59,020	8,13,992	7,33,729	5.5%	17.1%
Deposits	10,64,572	10,17,467	9,32,522	4.6%	14.2%
Total Assets	14,11,298	13,54,196	12,30,433	4.2%	14.7%
CASA Deposits	5,18,437	4,80,656	4,31,623	7.9%	20.1%
CASA (%)	48.7%	47.2%	46.3%	146bps	241bps
CAR (%)	19.16%	17.91%	19.12%	125bps	4bps
Spreads					
NIMs (%)	4.0%	4.0%	3.8%	4bps	16bps
Cost of Funds	3.7%	3.7%	4.0%	2bps	-27bps
Yield on Average Advances	8.3%	8.2%	8.5%	12bps	-14bps
Asset Quality					
GNPA	33,920	37,053	41,373	-8.5%	-18.0%
NNPA	6,961	7,344	9,180	-5.2%	-24.2%
GNPA (%)	3.60%	4.13%	4.96%	-53bps	-136bps
NNPA (%)	0.76%	0.85%	1.14%	-9bps	-38bps
Provision Coverage Ratio	79.6%	80.2%	77.81%	-60bps	177bps
Returns & Expenses					
RoA (annualised)	2.1%	1.9%	1.5%	21bps	60bps
RoE (annualised)	17.5%	15.4%	12.30%	210bps	520bps
Cost / Income Ratio	40.6%	41.1%	41.3%	-43bps	-63bps

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

Q4FY22 – Key Concall Highlights

- Ultra frequency indicator rose from 112 in Jan to 115 in Feb to 124 in March, led by power demand, e-way bill, GST, freight demand.
- RBI's recent guidelines on credit/debit cards have no impact on bank as such. Guidelines point more to Fintech, so likelihood of competition coming down. Revolve rates are lower than pre-covid levels. Spends behavior is improving.
- Mortgage book continue to have strong growth. Bank's focus on micro-market, easy customer onboarding has led to market share gains.
- Growth in SME and Business banking was driven by digital capabilities and platforms such as InstaBIZ and merchant stack. Major growth was from working capital loan demand.
- The bank continued to carry Covid related provision of INR 64.25 bn as contingency provision.
- Fund based restructuring book declined from INR 96.84 bn or 1.2% of advances to INR 82.67 bn or 1%.
- There has been 6.3 mn activation of i Mobile Pay by non ICICI Bank customers. The value of transactions by non ICICI account holders in the current quarter was 3.9x of what it was in Q3FY22. InstaBIZ transactional value grew by 44% YoY.
- **Change in key personnel:** i) Ms. Vishakha Mulye (Head of Wholesale Banking) to leave effective from 31st May, ii) Mr. Anup Bagchi to take over Vishakha's role at board level, iii) Mr. Rakesh Jha is elevated from group CFO to ED level, iv) Mr. Anindya Banerjee is elevated from head - IR to CFO, and will report to Mr. Sandeep Batra.
- Bank highlighted exposure to Russia/Ukraine being negligible. Also, bank has exposure to Indian oil refinery rated AA- externally in which Russian entity owns 49% stake, the exposure is largely non-funded and company's operations are in India.
- LCR for the quarter was 130%.

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%	48
ICICI Prudential AMC	5% of FY24E AUM	51.0%	39
ICICI Securities	2x FY24E P/E	74.9%	22
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)	61.0	31.9	22.2	17.3	15.4
P/BV (x)	4.2	3.5	3.0	2.6	2.2
P/ABV (x)	4.7	3.9	3.3	2.8	2.4
Profitability					
Return on Equity	6.8%	11.0%	13.7%	15.1%	14.6%

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

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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%

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