

# ICICI Bank Ltd.



# ICICI Bank Ltd.

**Strong earnings trajectory with healthy operating performance and lower provisioning**

CMP <b>INR 752</b>	Target <b>INR 955</b>	Potential Upside <b>27.0%</b>	Market Cap (INR Mn) <b>INR 52,46,521</b>	Recommendation <b>BUY</b>	Sector <b>Banking</b>
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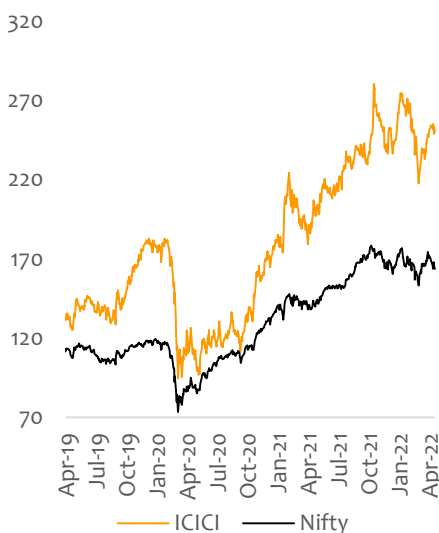
## Result Highlights of Q4 FY22 & Full Year FY22:

- Net interest income (NII) increased by 21% YoY to INR 1,26,046 Mn in Q4FY22 from INR 1,04,311 Mn in Q4FY21. The net interest margin was 4.0% in Q4FY22 vs 3.84% Q4FY21. NII for FY22 stood at INR 4,74,661 Mn, a growth of 22% YoY.
- Core operating profit (profit before provisions and tax, excluding treasury income) grew by 19% YoY in Q4FY22. However, the profit after tax (PAT) grew by 59% YoY to INR 70,187 Mn in Q4FY22 compared to INR 44,026 Mn in Q4FY21. For FY22, PAT stood at INR 2,33,395 Mn, an increase of 44% YoY. Provisions declined by 63% YoY to INR 10,690 Mn in Q4FY22 while for the full year FY22 it was reported at INR 86,414 Mn (down by 47% YoY). Gross NPA (GNPA) stood at 3.60% as on 31<sup>st</sup> March 2022 vs 4.13% as on 31<sup>st</sup> December 2021. Net NPA ratio (NNPA) declined from 0.84% as on 31<sup>st</sup> December 2021, to 0.76% as on 31<sup>st</sup> March 2022.
- The overall advances as on 31<sup>st</sup> March 2022 stood at INR 85,90,204 Mn, a growth of 17% YoY. Total deposits increased by 14% YoY and 5% sequentially to INR 1,06,45,716 Mn as on 31<sup>st</sup> March 2022.

## MARKET DATA

Shares outs (Mn)	6,949
Equity Cap (INR Mn)	17,02,456
Mkt Cap (INR Mn)	52,46,521
52 Wk H/L (INR)	867/547
Volume Avg (3m K)	17,287
Face Value (INR)	2
Bloomberg Code	ICICIB IN

## SHARE PRICE PERFORMANCE



## KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
NII	3,32,671	3,89,894	4,74,661	5,30,828	5,98,046
PPOP	2,81,013	3,63,971	3,92,503	4,62,636	5,41,264
PAT	79,308	1,61,927	2,33,395	2,74,755	3,20,726
EPS	12.3	23.4	33.6	39.5	46.2
NIM	3.7%	3.9%	4.0%	4.4%	5.0%
Advances Growth	10.0%	13.7%	17.1%	18.0%	18.0%

Source: Company, KRChoksey Research

**Strong recoveries/ upgrades to support asset quality improvement:** GNPA/ NNPA stood at 3.6%/ 0.76% in Q4FY22 vs 4.13%/ 0.85% in Q3FY22, respectively. ICICIB's gross NPA addition in Q4FY22 stood at INR 42,040 Mn compared to INR 40,180 Mn, which indicates a slight increase in slippages during the quarter. This increase was offset by strong recoveries/ upgrades of INR 46,930 Mn, resulting in improved asset quality. The provisions coverage ratio (PCR) stood at 79.2% in Q4FY22. In Q4FY22, ICICIB made additional contingency provisions of INR 10,250 Mn. The total contingent provision held by the bank on 31<sup>st</sup> March 2022 stood at INR 74,500 Mn. We expect FY23E/FY24E to see further moderation of slippages, leading to further asset quality improvement. We believe the buffer provisions to remain at a comfortable level and will aid in having tighter control on the credit cost.

**Liability franchise continues to strengthen:** The liability franchise continues to be strong, with deposits growing at 14.2% YoY in Q4FY22. The deposit growth was supported by a healthy growth momentum in retail deposits. The average CASA ratio stood at 45% in Q4FY22. The CASA ratio remained stable sequentially, maintaining its leadership position of lower cost of deposits compared to its private peers. The loan book for Q4FY22 grew 17% YoY, driven by 20% retail loan growth. The retail loan segment, as on 31<sup>st</sup> March 2022, contributes ~52.8% to the total loan portfolio. The wholesale loan book saw a growth of 10% YoY. The bank continues to see strong growth momentum in retail, SME & business banking segment and is expected to sustain this in upcoming years. We expect advances to grow at 17.7% CAGR while deposits will grow at 16.5% CAGR over FY21-24E due to increased focus on the retail segment.

**Robust growth in operating performance aided by healthy fee income:** The operating performance was backed by NII growth of 20.8% YoY and 11% YoY growth in non-interest income, excluding treasury income. The fees income for the quarter grew 14% YoY with a 77% contribution from retail, rural, business banking and SME segment. The cost to income ratio stood at 40.6% in Q4FY22 against 41.1% in Q3FY22. PAT for the quarter stood at INR 70,187 Mn, a growth of 59.4% YoY led by PPOP growth of 20.5% and a decline in provisions by 62.9% YoY to INR 10,690 Mn. We expect NIIs to grow at 15.3% CAGR owing to high yielding loan portfolio and lower cost of deposits, while an operating profit to grow at 14.1% CAGR over FY21-24E.

## MARKET INFO

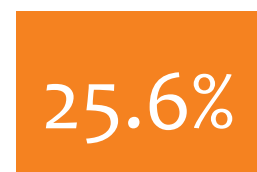
SENSEX	56,580
NIFTY	16,954

## SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sept-21
Promoters	0	0	0
FIIs	44.8	45.3	47.3
DII	11.2	44.0	42.7
Others	44.8	10.7	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 impact of this third wave of the pandemic was mild, and with the decline in the number of new Covid-19 cases, economic activity gained momentum in February and March. This was visible in the Bank's Ultra Frequency Index, comprising several high-frequency indicators tracked by the bank's Economic Research Group, which rose from 112.0 in January to 114.9 in February and 124.4 in March.
- ICICIBC aims to grow the core operating profit within the guardrails of compliance and risk through its 360-degree customer-centric approach and focus on opportunities across client and segment ecosystems.
- The bank focuses on growing its loan portfolio in a granular manner, focusing on risk and reward, with the returnability of capital and containment of provisions below a defined percentage of core operating profit being a key imperative.
- ICICIBC aims to steadily grow its business within its strategic framework and strengthen the franchise, delivery, and servicing capabilities, backed by various digital initiatives.
- The business banking portfolio grew 43.2% YoY while SME grew 33.6% YoY; this segment was driven by its digital offerings & platforms.
- The liquidity coverage ratio for Q4FY22 was about 130%, reflecting continued surplus liquidity.
- The bank's cost of deposits continues to be among the lowest in the system.
- ICICIBC sees many opportunities to grow its core operating profit in a risk-calibrated manner.
- The 5.9% YoY increase in the overseas loan portfolio was primarily due to an increase in the India-linked trade finance book.
- The direct exposure to Russia and Ukraine is negligible. The bank has exposure to an Indian oil refinery rated AA- externally, where a sanctioned Russian entity owns a 49% stake. The exposure is non-fund, mainly in nature. The oil refinery's operations are mainly in India.
- The non-employee expenses increased by 15.6% YoY this quarter, primarily due to the retail business and technology-related expenses.
- The value of credit card spending grew by 77% YoY in Q4FY22, driven by a higher activation rate through digital onboarding of customers, including Amazon Pay credit cards, automated and effective portfolio management to grow spending among existing card customers and diversification through commercial cards.
- Corporate and SME recoveries and upgrades include a power sector account upgraded post-implementation of a resolution plan under IBC.
- The market value of the bank's investments in the Group's listed entities is stood at ~ INR 840 Bn.

## Valuation and view

The bank's performance in Q4FY22 remains in line with our expectations in terms of core operating profits, while earnings were better owing to further improvement in the asset quality. The quarter saw strong recoveries and upgrades of the accounts, improving asset quality. ICICIBC has been seeing healthy business growth traction across the segments. The bank will likely benefit in the long run from its efforts to increase market share in advances while also strengthening the liabilities franchise. The fee income is expected to remain strong to improve business activities across its segments. Compared to its peers, ICICIBC stands strong across all the financial metrics. We have factored CAGR 25.6% growth in profits over FY21-24E with 17.7% CAGR growth in advances and 14.1% growth in operating profits over FY21-24E. **Since our last update, the shares of ICICIBC have corrected ~6%. We have applied a P/ABV multiple of 2.5x to the FY24E ABV of INR 319 per share, implying a SOTP valuation of INR 955 per share (unchanged). It has a potential upside of 27.0% at the CMP of INR 752 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%	798.5
ICICI Prudential Life Insurance	2.5x FY24 EV	51.4%	82.3
ICICI Lombard General Insurance	Current MCAP	51.9%	47.6
ICICI Prudential AMC	5% of FY24E AUM	51%	17.7
ICICI Securities	Current MCAP	77.2%	20.9
ICICI Home Finance	2x FY24 BV	100.0%	4.7
ICICI Bank UK Plc	1x FY24 BV	100.0%	7.0
ICICI Bank Canada	1x FY24 BV	100.0%	4.0
Holding Co. Discount			15%
Value of subs after discount (INR Per share)			157
<b>Value of Total</b>			<b>955</b>
CMP			752
Upside			27.0%

Source: Company, KRChoksey Research

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## KEY FINANCIALS (standalone)

### Exhibit 1: Profit & Loss Statement

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Interest Income	7,47,983	7,91,183	8,63,746	10,20,919	11,73,607
Interest Expense	4,15,313	4,01,288	3,89,085	4,90,091	5,75,561
<b>Net Interest Income</b>	<b>3,32,671</b>	<b>3,89,894</b>	<b>4,74,661</b>	<b>5,30,828</b>	<b>5,98,046</b>
Non interest income	1,64,486	1,89,685	1,85,175	2,11,522	2,40,643
Operating income	<b>4,97,157</b>	<b>5,79,580</b>	<b>6,59,836</b>	<b>7,42,350</b>	<b>8,38,689</b>
- Employee expense	82,712	80,918	96,728	1,04,466	1,17,002
- Other operating expense	1,33,432	1,34,691	1,70,606	1,75,248	1,80,424
Operating Expense	2,16,144	2,15,608	2,67,333	2,79,714	2,97,425
<b>PPOP</b>	<b>2,81,013</b>	<b>3,63,971</b>	<b>3,92,503</b>	<b>4,62,636</b>	<b>5,41,264</b>
Provisions	1,40,532	1,62,144	86,414	96,296	1,13,630
PBT	<b>1,40,480</b>	<b>2,01,827</b>	<b>3,06,089</b>	<b>3,66,340</b>	<b>4,27,635</b>
Tax Expense	61,172	39,900	72,694	91,585	1,06,909
<b>PAT</b>	<b>79,308</b>	<b>1,61,927</b>	<b>2,33,395</b>	<b>2,74,755</b>	<b>3,20,726</b>
EPS (INR)	12.3	23.4	33.6	39.5	46.2

Source: Company, KRChoksey Research

## ICICI Bank Ltd.

### Exhibit 2: Balance Sheet

INR Mn	FY20	FY21	FY22	FY23E	FY24E
<b>Source of Funds</b>					
Share capital	12,948	13,834	13,900	13,900	13,900
Reserves & Surplus	11,52,062	14,61,227	16,88,556	19,69,377	22,90,102
Networth	11,65,009	14,75,061	17,02,456	19,83,276	23,04,002
ESOP	35	31	2,664	2,664	2,664
Borrowings	16,28,968	9,16,310	10,72,314	11,25,929	11,82,226
Deposits	77,09,690	93,25,222	1,06,45,716	1,23,58,095	1,46,68,942
Other liabilities & provisions	4,79,950	5,87,704	6,89,828	6,34,418	1,15,374
<b>Total Equity &amp; Liabilities</b>	<b>1,09,83,652</b>	<b>1,23,04,327</b>	<b>1,41,12,977</b>	<b>1,61,04,382</b>	<b>1,82,73,208</b>
<b>Uses of Funds</b>					
Balances w/ banks & others	11,91,557	13,31,283	16,78,224	15,71,531	12,65,797
Investments	24,95,315	28,12,865	31,02,410	35,52,410	41,52,410
Loans & advances	64,52,900	73,37,291	85,90,204	1,01,36,441	1,19,61,001
Fixed assets	84,103	88,776	93,738	94,000	94,000
Other assets	7,59,777	7,34,112	6,48,401	7,50,000	8,00,000
<b>Total Assets</b>	<b>1,09,83,652</b>	<b>1,23,04,327</b>	<b>1,41,12,977</b>	<b>1,61,04,382</b>	<b>1,82,73,208</b>

Source: Company, KRChoksey Research

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## Exhibit 3: Ratio Analysis

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
<b>Growth Rates</b>					
Advances (%)	10.0%	13.7%	17.1%	18.0%	18.0%
Deposits (%)	18.1%	21.0%	14.2%	16.1%	18.7%
Total assets (%)	13.9%	12.0%	14.7%	14.1%	13.5%
NII (%)	23.1%	17.2%	21.7%	11.8%	12.7%
Pre-provisioning profit (%)	19.9%	29.5%	7.8%	17.9%	17.0%
PAT (%)	135.8%	104.2%	44.1%	17.7%	16.7%
<b>B/S Ratios</b>					
Credit/Deposit (%)	83.7%	78.7%	80.7%	82.0%	81.5%
CASA (%)	45.1%	46.3%	45.0%	47.9%	48.2%
Advances/Total assets (%)	58.8%	59.6%	60.9%	62.9%	65.5%
Leverage - Total Assets to Equity	9.43	8.34	8.29	8.12	7.93
<b>Operating efficiency</b>					
Cost/income (%)	43.5%	37.2%	40.5%	37.7%	35.5%
Opex/total assets (%)	2.2%	2.6%	2.9%	2.5%	2.3%
Opex/total interest earning assets	2.9%	2.6%	3.4%	3.0%	2.7%
<b>Profitability</b>					
NIM (%)	3.7%	3.9%	4.0%	4.4%	5.0%
RoA (%)	0.8%	1.4%	1.8%	1.8%	1.9%
RoE (%)	7.1%	12.3%	14.7%	14.9%	15.0%
<b>Asset quality</b>					
Gross NPA (%)	6.14%	4.96%	3.60%	3.45%	3.41%
Net NPA (%)	1.84%	1.14%	0.76%	0.74%	0.71%
PCR (%)	71.4%	77.7%	79.2%	79.2%	79.8%
Credit cost (%)	1.9%	2.0%	1.1%	1.0%	1.0%
<b>Per share data / Valuation</b>					
EPS (INR)	12.3	23.4	33.6	39.5	46.2
BVPS (INR)	180.0	213.2	245.0	285.4	331.6
ABVPS (INR)	161.6	200.0	235.0	274.7	319.4
P/E (x)	61.7	32.1	22.4	19.0	16.3
P/BV (x)	4.2	3.5	3.1	2.6	2.3
P/ABV (x)	4.7	3.8	3.2	2.7	2.4

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
26-Apr-22	752	955	BUY	Buy	More than 15%
24-Jan-22	798	955	BUY		
27-Dec-22	737	955	BUY	Accumulate	5% – 15%
25-Oct-21	847	955	ACCUMULATE		
31-Aug-21	712	787	ACCUMULATE	Hold	0 – 5%
26-Jul-21	680	787	BUY	Reduce	-5% – 0
26-Apr-21	591	705	BUY		
17-Mar-21	595	640	ACCUMULATE	Sell	Less than – 5%

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