

Estimate change 

 TP change 

 Rating change 

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Bloomberg	ICICIB IN
Equity Shares (m)	6,950
M.Cap.(INRb)/(USDb)	5565.3 / 69.7
52-Week Range (INR)	860 / 642
1, 6, 12 Rel. Per (%)	8/4/16
12M Avg Val (INR M)	10868

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	474.7	571.4	711.2
OP	392.5	457.7	568.7
NP	233.4	296.6	361.9
NIM (%)	4.0	4.1	4.4
EPS (INR)	33.7	42.7	52.1
EPS Gr (%)	39.2	26.8	22.0
ABV/Sh (INR)	222.6	264.7	314.1
Cons. BV/Sh (INR)	262.9	306.4	358.9

Ratios

RoE (%)	15.0	16.4	17.1
RoA (%)	1.8	2.0	2.1

Valuations

P/BV (x) (Cons)	3.0	2.6	2.2
P/ABV (x)	2.8	2.4	2.0
P/E (x)	18.6	14.7	12.0

*Adjusted for Investment in subsidiaries

Shareholding pattern (%)

As On	Jun-22	Mar-22	Dec-21
Promoter	0.0	0.0	0.0
DII	45.3	44.5	43.7
FII	43.5	44.0	45.3
Others	11.2	11.5	11.0

FII Includes depository receipts

CMP: INR800
TP: INR1,050 (+31%)
Buy

Invest and Admire – setting industry benchmarks

Steady growth in core PPOP; prudently scaling up contingent provisions as credit cost undershoots

- ICICI Bank keeps on raising the benchmarks with exemplary performance every quarter. We cannot help but admire how the bank has consistently delivered industry leading performance amid a challenging period.
- What looks to be a picture perfect performance in one quarter only adds more colors in the ensuing quarter. Our conviction in the bank remains strong and we believe that the journey is likely to get even more exciting in the coming years.
- Over the last couple of quarters, due to intense FII selling, the bank's absolute performance has been limited; however, with flawless execution it is only a matter of time that ICICI's valuation will expand to its deserving multiple, thus generating supernormal returns for investors.
- We estimate ICICIBC to deliver a FY24 RoA/RoE of 2.1%/17.1%. **ICICIBC remains our top pick in the sector.**

Sublime performance continues!

- PAT grew 50% YoY (7% beat to MOSLe) to INR69b in 1QFY23, aided by healthy NII growth, strong fee income, and controlled provisions. The bank reported an annualized RoA/RoE of 2%/15.9% in 4QFY22.
- NII growth stood at 21% YoY (in line), aided by a 2bp QoQ expansion in domestic NIM to 4.14% and healthy loan growth of 21%.
- Other income rose 17% YoY, but fell 2% QoQ to INR46.7b. Growth was led by a 32% YoY increase in fee income, driven by healthy performance across segments. The bank reported modest treasury gains of INR0.4b (INR1.3b in 4QFY22). A lower duration AFS portfolio minimized the MTM impact in 1QFY23.
- OPEX rose 25% YoY (7% miss) as the bank continues to invest in its employees and in tech initiatives to build the franchise. PPOP rose 16% YoY. Core PPOP grew 19% YoY (up 21% YoY excluding dividend income).
- On the business front, advances grew 21% YoY and 4% QoQ, led by 22%/22% YoY growth in domestic/Retail loans. Growth was led by Home loans, Credit Cards, and Personal loans. The SME book grew 32% YoY, but fell 3% QoQ. The Corporate book is reviving with a 14% YoY increase.
- On the liability front, deposits grew 13% YoY, but fell 2% QoQ. CASA deposits grew 16% YoY, but fell 5% QoQ. Average CASA mix improved by 60bp QoQ to 45.8%.
- Fresh slippages rose to INR58.3b (2.7% annualized). However, higher recoveries restricted increase in net slippages to INR3.8b.
- GNPA/NNPA ratio contracted by 19bp/6bp QoQ to 3.41%/0.7%. PCR ratio was broadly stable ~80%.
- Despite the creation of additional contingent provisions of INR10.5b, provisions moderated by 60% YoY. With this, the contingency buffer stands at INR85b, or 0.9% of loans.

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Highlights from the management commentary

- Around 43%/21%/6% of the loan book is linked to repo/MCLR/other external benchmarks. The remainder of loans is at a fixed rate.
- The bank will continue to leverage its technological capabilities to drive growth, which will aid in market share gains.
- The growth in SME and Business Banking was driven by leveraging branch network, cross-selling, and tech offerings like InstaBIZ.

ICICIB remains our top pick in the sector; Buy

- ICICIB reported a robust operating performance, driven by a combination of impressive core PPOP performance and controlled provisions, despite the creation of contingent provisions, underpinned by pristine asset quality. A stable mix of high-yielding portfolio (Retail/Business Banking) and a low-cost liability franchise is fueling steady NII growth.
- The bank is seeing a strong recovery in business trends across key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while PCR remains one of the best in the industry ~80%. The additional COVID-19 provision buffer (90bp of loans) renders further comfort.
- Ahead of this new growth cycle, the bank is already positioned well with superior margins, strong RoE/asset quality and robust capitalisation levels. The stock return will be a function of earnings growth and re-rating over the coming years and ICICI Bank has all the ingredients in place to take over the pole position in the Indian Banking space.
- We estimate the bank to deliver a FY24 RoA/RoE of 2.1%/17.1% and **reiterate our Buy rating with an SoTP-based TP of INR1,050 per share (2.8x FY24E ABV). ICICIB remains our top pick in the sector.**

Quarterly performance (INR b)

	FY22				FY23E				FY22	FY23E	FY23E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Net Interest Income	109.4	116.9	122.4	126.0	132.1	141.1	146.8	151.3	474.7	571.4	131.8	0
Change (YoY %)	17.8	24.8	23.4	20.8	20.8	20.7	20.0	20.0	21.7	20.4	20.5	
Other Income	40.0	48.0	49.9	47.4	46.7	49.4	54.5	56.8	185.2	207.4	42.6	10
Total Income	149.3	164.9	172.2	173.4	178.8	190.5	201.4	208.1	659.8	778.8	174.4	3
Operating Expenses	60.4	65.7	70.7	70.5	75.7	78.0	81.9	85.5	267.3	321.1	70.6	7
Operating Profit	88.9	99.1	101.5	102.9	103.1	112.5	119.5	122.6	392.5	457.7	103.7	-1
Change (YoY %)	-17.5	20.0	15.1	20.5	15.9	13.4	17.8	19.1	7.8	16.6	16.6	
Provisions	28.5	27.1	20.1	10.7	11.4	16.9	19.6	19.6	86.4	67.5	18.9	-39
Profit before Tax	60.4	72.0	81.4	92.2	91.7	95.6	99.9	103.0	306.1	390.2	84.8	8
Tax	14.3	16.9	19.5	22.1	22.6	22.9	24.0	24.1	72.7	93.6	20.4	11
Net Profit	46.2	55.1	61.9	70.2	69.0	72.7	76.0	78.9	233.4	296.6	64.5	7
Change (YoY %)	77.6	29.6	25.4	59.4	49.6	31.8	22.6	12.4	44.1	27.1	39.7	
Operating Parameters												
Deposit	9,262	9,774	10,175	10,646	10,503	11,190	11,636	12,296	10,646	12,296	10,850	-3
Loan	7,386	7,649	8,140	8,590	8,956	9,129	9,569	10,222	8,590	10,222	8,876	1
Deposit Growth (%)	15.5	17.3	16.4	14.2	13.4	14.5	14.4	15.5	14.2	15.5	17.1	(374)
Loan Growth (%)	17.0	17.2	16.4	17.1	21.3	19.3	17.6	19.0	17.1	19.0	20.2	108
Asset Quality												
Gross NPA (%)	5.2	4.8	4.1	3.6	3.4	3.4	3.1	2.7	3.6	2.7	3.5	(9)
Net NPA (%)	1.2	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.8	0.5	0.7	(2)
PCR (%)	78.4	80.3	80.2	79.5	79.9	80.1	80.3	80.5	79.5	80.5	80.0	(7)

Source: MOFSL, Company

Quarterly snapshot (INR b)

Profit & Loss (INR b)	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Interest Income	199.2	196.2	197.3	198.4	203.8	212.3	220.8	226.7	236.7	16	4
Loans	145.8	140.4	140.3	146.4	149.8	157.4	162.3	168.8	176.3	18	4
Investment	41.9	43.1	41.2	39.1	40.4	41.0	40.5	42.2	45.8	13	9
Others	11.6	12.7	15.7	12.9	13.6	14.0	18.0	15.8	14.6	7	-8
Interest Expenses	106.4	102.6	98.2	94.1	94.5	95.4	98.5	100.7	104.6	11	4
Net Interest Income	92.8	93.7	99.1	104.3	109.4	116.9	122.4	126.0	132.1	21	5
Other Income	61.4	40.3	46.9	41.1	40.0	48.0	49.9	47.4	46.7	17	-2
Trading profit	37.6	5.4	7.7	-0.3	2.9	4.0	0.9	1.3	0.4	-88	-72
Fee Income	21.0	31.4	36.0	38.2	32.2	38.1	42.9	43.7	42.4	32	-3
Others	2.8	3.5	3.2	3.2	4.9	5.9	6.1	2.4	3.9	-21	59
Total Income	154.2	133.9	146.0	145.4	149.3	164.9	172.2	173.4	178.8	20	3
Operating Expenses	46.5	51.3	57.8	60.0	60.4	65.7	70.7	70.5	75.7	25	7
Employee	21.7	19.7	19.5	20.1	23.7	23.8	24.8	24.3	28.5	20	17
Others	24.8	31.7	38.3	39.9	36.6	41.9	45.9	46.2	47.2	29	2
Operating Profit	107.8	82.6	88.2	85.4	88.9	99.1	101.5	102.9	103.1	16	0
Core Operating Profit	70.1	77.2	80.5	85.6	86.0	95.2	100.6	101.6	102.7	19	1
Provisions	75.9	30.0	27.4	28.8	28.5	27.1	20.1	10.7	11.4	-60	7
PBT	31.8	52.7	60.8	56.6	60.4	72.0	81.4	92.2	91.7	52	-1
Taxes	5.8	10.1	11.4	12.5	14.3	16.9	19.5	22.1	22.6	58	2
PAT	26.0	42.5	49.4	44.0	46.2	55.1	61.9	70.2	69.0	50	-2
Balance Sheet (INR b)											
Loans	6,312	6,526	6,990	7,337	7,386	7,649	8,140	8,590	8,956	21	4
Investments	3,019	2,896	2,753	2,813	2,948	2,852	2,848	3,102	3,213	9	4
Deposits	8,016	8,329	8,743	9,325	9,262	9,774	10,175	10,646	10,503	13	-1
Borrowings	1,649	1,364	1,116	916	891	830	1,096	1,072	1,155	30	8
Total Assets	11,386	11,630	11,932	12,304	12,207	12,760	13,542	14,113	14,156	16	0
Asset Quality (INR b)											
GNPA	403.9	389.9	348.6	413.7	431.5	414.4	370.5	339.2	331.6	-23	-2
NNPA	86.7	71.9	48.6	91.8	93.1	81.6	73.4	69.6	66.6	-28	-4
Deposits Break Up											
CASA Deposits	3,406	3,646	3,954	4,316	4,251	4,507	4,807	5,184	4,921	16	-5
As a percentage of total Deposits	42	44	45	46	46	46	47	49	47		
Savings	2,448	2,571	2,787	2,955	3,066	3,186	3,346	3,600	3,518	15	-2
As a percentage of total Deposits	31	31	32	32	33	33	33	34	33		
Current	958	1,075	1,167	1,362	1,185	1,321	1,460	1,585	1,403	18	-11
As a percentage of total Deposits	12	13	13	15	13	14	14	15	13		
Term Deposits	4,610	4,684	4,789	5,009	5,011	5,267	5,368	5,461	5,582	11	2
As a percentage of total Deposits	58	56	55	54	54	54	53	51	53		
Loan Break Up											
Agriculture											
SME Loans	209	233	271	303	298	331	364	405	394	32	-3
Corporate Loans	1,588	1,574	1,701	1,766	1,739	1,705	1,861	1,924	1,981	14	3
Retail Loans	3,787	3,984	4,238	4,519	4,552	4,780	5,024	5,315	5,549	22	4
<i>of which</i>											
- Housing	2,011	2,117	2,258	2,437	2,494	2,647	2,783	2,931	3,051	22	4
- Personal Loans	440	445	464	493	495	526	570	629	684	38	9
- Credit Cards	147	155	173	173	172	198	228	251	280	63	12
- Others	1,189	1,267	1,344	1,416	1,392	1,409	1,444	1,505	1,535	10	2
International Loans	470	423	431	376	401	387	407	413	458	14	11
Loan Mix (%)											
SME Loans	3.3	3.6	3.9	4.1	4.0	4.3	4.5	4.7	4.4	37	-31
Corporate Loans	25.2	24.1	24.3	24.1	23.5	22.3	22.9	22.4	22.1	-141	-27
Retail	60.0	61.1	60.6	61.6	61.6	62.5	61.7	61.9	62.0	33	9
International Loans	7.5	6.5	6.2	5.1	5.4	5.1	5.0	4.8	5.1	-32	30

Profit & Loss (INR b)	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Ratios											
Asset Quality Ratios (%)											
GNPA	5.5	5.2	4.4	5.0	5.2	4.8	4.1	3.6	3.4	-174	-19
NNPA	1.2	1.0	0.6	1.1	1.2	1.0	0.9	0.8	0.7	-46	-6
PCR (Calculated)	78.5	81.6	86.1	77.8	78.4	80.3	80.2	79.5	79.9	150	45
Credit Cost	4.8	1.9	1.6	1.6	1.5	1.4	1.0	0.5	0.5	-103	1
Business Ratios (%)											
Fees-to-Total Income	13.6	23.4	24.7	26.2	21.6	23.1	24.9	25.2	23.7	218	-144
Cost-to-Core Income	39.8	39.9	41.8	41.2	41.2	40.8	41.3	41.0	42.4	118	146
Tax Rate	18.3	19.3	18.7	22.2	23.6	23.5	23.9	23.9	24.7	105	75
CASA	42.5	43.8	45.2	46.3	45.9	46.1	47.2	47.2	46.9	100	-30
Dom. Loan/Deposit (Rep.)	72.9	73.3	75.0	74.7	75.4	74.3	76.0	76.8	80.9	550	410
Loan/Deposit	78.7	78.4	79.9	78.7	79.7	78.3	80.0	80.7	85.3	553	458
Profitability Ratios (%)											
Yield on loans	9.3	8.9	8.4	8.5	8.3	8.3	8.2	8.3	8.1	-14	-19
Yield On Investments	6.1	5.8	5.8	5.6	5.6	5.7	5.7	5.7	5.8	19	13
Yield on Funds	7.9	7.5	7.3	7.3	7.3	7.3	7.2	7.2	7.2	-6	0
Cost of funds	4.6	4.4	4.1	4.0	3.8	3.7	3.7	3.7	3.7	-15	-1
Margin	3.7	3.6	3.7	3.8	3.9	4.0	4.0	4.0	4.0	12	1
RoA (cal.)	1.0	1.5	1.7	1.5	1.5	1.8	1.9	2.1	2.0	44	-13
RoE (Cal.)	8.9	13.2	14.0	12.3	12.3	14.1	15.4	17.1	15.9	360	-120
Other Details											
Branches	5,324	5,288	5,267	5,266	5,268	5,277	5,298	5,418	5,534	266	116
ATM	15,661	15,158	14,655	14,136	14,141	14,045	13,846	13,626	13,379	-762	-247
Subsidiaries PAT (INR m)											
I Sec	1,930	2,780	2,670	3,290	3,110	3,510	3,800	3,400	2,740	-12	-19
I Sec PD	3,460	260	1,320	660	1,240	1,610	30	420	200	-84	-52
I Venture	260	-80	-20	-120	10	-90	-80	160	-80	-900	-150
Pru. AMC	2,570	2,820	3,580	3,480	3,800	3,830	3,340	3,570	3,050	-20	-15
ICICI Home Finance	10	20	30	150	170	460	480	530	400	135	-25
ICIC Life Insurance	2,880	3,030	3,060	640	-1,860	4,450	3,110	1,850	1,560	-184	-16
ICICI General Insurance	3,980	4,160	3,140	3,460	1,520	4,460	3,180	3,130	3,490	130	12
Consolidation adjustment	-9,902	-6,683	-8,196	-6,726	-6,520	-12,420	-10,438	-6,057	-6,559	1	8
Subsidiaries PAT	5,188	6,307	5,584	4,834	1,470	5,811	3,422	7,003	4,801	227	-31
ICICI Bank	25,992	42,513	49,396	44,026	46,160	55,110	61,938	70,187	69,049	50	-2
Consol. Profit	31,180	48,820	54,980	48,860	47,630	60,920	65,360	77,190	73,850	55	-4



Highlights from the management commentary

Balance Sheet and P&L

- The management aims to grow core operating profit in a risk calibrated manner, with a 360 degree focus on the customer. To achieve this, it aims to strengthen the franchise and expand its technology offering.
- LCR stood at 127% in 1QFY23.
- The cost of deposits is among the lowest in the system.
- Around 43%/21%/6% of the loan book is linked to repo/MCLR/other external benchmarks. The remainder of loans is at a fixed rate.
- The bank aims to build a granular loan book. The Retail portfolio (including non-fund based loans) stands at 44% of total loans.
- The growth in SME and Business Banking was driven by leveraging branch network, cross-selling, and tech offerings like InstaBIZ.
- The sourcing in unsecured loans has largely been through cross-sell, strong tie-ups, and careful evaluation of NTB customers. There is no cap on this book as credit trends remain strong.
- The bank has enhanced the open architecture features of InstaBIZ. It saw 0.12m registrations from non-ICICIBC customers in 1QFY23.
- The bank's capital position remains strong.
- Fee income grew due to growth across business segments and low base in 1QFY22.
- OPEX increased due to the addition of 7,200 employees in FY22 and ESOP cost of INR1.29b, driven by fair valuation of ESOP granted from 1st Apr'21, as per RBI guidelines.
- Tech spends stood at 8.5% of OPEX, similar to FY22 levels.
- Treasury gain stood at INR0.36b in 1QFY23 v/s INR2.9b in 1QFY22. The bank carries a low duration AFS book, and thus saw a negligible MTM impact.
- Many opportunities exist to grow core operating profit.
- The bank continues to invest in its employees and in technology, and operate within our strategic framework of 'One Bank One RoE'.

Digital initiatives

- The management continues to see increasing digital adoption by customers.
- Value of transaction by non-ICICIBC customers grew 35% QoQ on its platforms.
- Over 3.2m Amazon cobranded Credit Cards have been issued since its launch.
- It launched a new digital tool called Campus Power to cater to the higher education needs of students in domestic as well as international locations.
- Value and volume of financial transactions on InstaBIZ for SME and Business banking, as well as supply-chain platforms, have seen a tremendous increase.
- Around 33% of mortgage sanctions and 44% of Personal disbursements were end-to-end digital.
- It has more than 20 industry customized stacks for greater ease and convenience.
- The bank will continue to leverage its technological capabilities to drive growth, which will aid in market share gains.
- The bank continues to invest in digital initiatives to maintain leadership.

Asset quality

- Net additions of INR3.8b to gross NPAs were driven by gross slippages of INR50.4b in Retail, Rural, and Business Banking and INR7.9b in Corporate and SME, but was offset by recoveries of INR54.4b.
- The bank has written off accounts worth INR11.3b in 1QFY23.
- The Kisan Credit Card portfolio typically sees higher NPA additions in the first and third quarter.
- In Retail, the management's focus is on net slippages as these are unlike Corporate slippages, which tend to be stickier.
- Other than one borrower account under the RBI resolution framework, the maximum single borrower in the BB and below portfolio was less than INR6b.
- PCR was stable at 80% in 1QFY23.
- The bank made additional contingency provisions of INR10.5b on a prudent basis. With this, contingent provisions now stands at INR85b, or 0.9% of loans.
- As of 30th Jun'22, total provisions stood at INR187b, or 2.1% of loans.

Key exhibits

Exhibit 1: Net stressed loans decline to 1.7% of total loans

INR b	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
GNPA	431	414	371	339	332
Security Receipts	17	16	10	8	6
BB and below (fund and non-fund based)	140	127	118	108	82
Stress loans	588	558	499	455	420
Specific provisions	338	333	297	270	265
Net stressed loans	250	225	202	186	155
Gross stressed loans (as a percentage of advances)	8.0	7.3	6.1	5.3	4.7
Net stressed loans (as a percentage of advances)	3.4	2.9	2.5	2.2	1.7

Exhibit 2: A snapshot of the performance of its subsidiaries

Subsidiaries PAT (INR m)	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
I Sec	1,930	2,780	2,670	3,290	3,110	3,510	3,800	3,400	2,740	-12	-19
I Sec PD	3,460	260	1,320	660	1,240	1,610	30	420	200	-84	-52
I Venture	260	-80	-20	-120	10	-90	-80	160	-80	-900	-150
Pru. AMC	2,570	2,820	3,580	3,480	3,800	3,830	3,340	3,570	3,050	-20	-15
ICICI Home Finance	10	20	30	150	170	460	480	530	400	135	-25
ICIC Life Insurance	2,880	3,030	3,060	640	-1,860	4,450	3,110	1,850	1,560	-184	-16
ICICI General Ins.	3,980	4,160	3,140	3,460	1,520	4,460	3,180	3,130	3,490	130	12
Consol. adjustment	-9,902	-6,683	-8,196	-6,726	-6,520	-12,420	-10,438	-6,057	-6,559	1	8
Subsidiaries PAT	5,188	6,307	5,584	4,834	1,470	5,811	3,422	7,003	4,801	227	-31
ICICI Bank	25,992	42,513	49,396	44,026	46,160	55,110	61,938	70,187	69,049	50	-2
Consol. Profit	31,180	48,820	54,980	48,860	47,630	60,920	65,360	77,190	73,850	55	-4

Blended margin expands by
1bp QoQ to 4.01%

Deposit growth healthy at 13% YoY, domestic NIM improves 2bp QoQ to 4.14%

- Deposits grew 13.4% YoY, but fell 1.3% QoQ to INR10.5t, within which CASA/term deposits grew ~16%/~11% YoY. On a sequential basis, CASA deposits fell by 5%, while term deposits grew 2% QoQ. CA/SA deposits rose 18%/15% YoY. Average CASA mix improved 60bp QoQ to 45.8%.
- NIM expanded by 1bp QoQ to 4.01%. The cost of deposits improved by 2bp QoQ to 3.46%. Domestic margin expanded by 2bp QoQ to 4.14%, while overseas NIM declined by 2bp QoQ to 0.33%.

Domestic loan growth stood
~22% YoY, led by ~22%
growth in the Retail book,
which now constitutes 62%
of total loans

Loan growth robust at 21% YoY and 4.3% QoQ; Retail loans rose 22% YoY

- Loan book grew 21.3% YoY and 4.3% QoQ to INR9t, led by a 22% growth in Retail loans. Domestic/international loans increased by ~22%/~14% YoY. The proportion of international loans in overall loans stood ~5.1%.
- Retail loans grew ~22% YoY and 4.4% QoQ, within which Home/Personal loans grew 4.1%/8.8% QoQ. Growth in Credit Cards/Vehicle loan book stood at ~12%/3% QoQ.
- SME loans grew 32% YoY, but fell 3% QoQ and constituted 4.4% of total loans.
- Corporate loans grew 14% YoY and 3% QoQ, while total domestic loans grew 22% YoY.

Quantum of BB and below exposure stood at INR82.1b (0.9% of loans)

BB and below pool stood at 0.9% of loans; PCR stable ~80%

- Total slippages stood at INR58.3b in 1QFY23 (v/s INR42b in 4QFY22), with Retail slippages at INR50.4b and Corporate and SME slippages at INR7.9b.
- Absolute GNPA/NNPA fell 2%/4% QoQ to INR331.6b/INR66.6b. GNPA/NNPA ratio moderated to 3.4%/0.7% v/s 3.6%/0.76% in Mar'22. PCR was stable ~80%.
- The bank made further contingent provision of INR10.5b. In addition to reported PCR, the bank is carrying supplementary provisions of INR85b (0.9% of loans), along with a provision of INR20.75b on non-fund based outstanding to NPAs. It holds INR82b in general provisions on standard assets and other provisions.
- Total restructuring moderated to INR73.8b (0.8% of loans in 1QFY23 v/s 1% of loans in 4QFY22), on which it is carrying provisions of INR22.9b. Restructuring breakup – Retail and Business Banking (INR52.3b) and Corporate and SME (INR21b).
- BB and below portfolio fell to INR82.1b (0.9% of loans) v/s INR108.1b in 4QFY22.

Exhibit 3: ICICIBC's total exposure | BB and below stood at 0.9% of total loans in 1QFY23

INR b	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23
Fund and non-fund outstanding to restructured loans	40.8	32.4	36.9	23.9	22.9
Borrowers with outstanding greater than INR1b	64.3	58.5	52.3	58.8	38.1
Borrowers with outstanding less than INR1b	34.6	36.3	29.2	25.4	21.2
BB and below outstanding	139.8	127.1	118.4	108.1	82.1

Of the other borrowers, ~90% were rated A- and above (excluding exposure to state electricity boards)

Exhibit 4: Exposure to the Power sector stood at INR374b in 1QFY23

INR b	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	%
Gross restructured loans	80.6	77.1	75.8	73.2	66.3	18
Other borrowers*	305.3	326.0	301.4	327.5	308.1	82
Total power sector exposure	385.9	403.2	377.2	400.7	374.4	100

Firing on all cylinders; our top pick in the sector

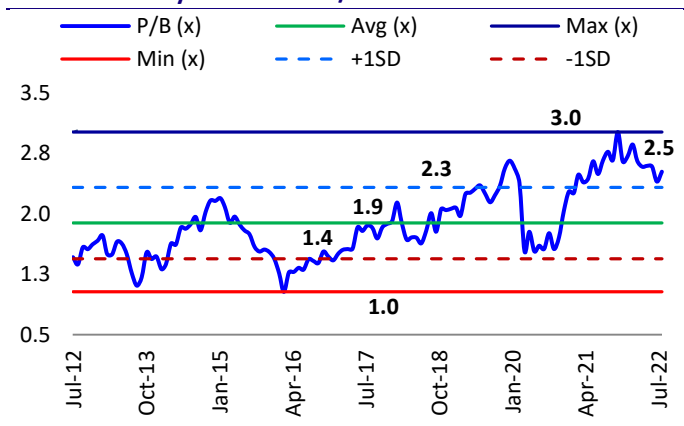
- **Robust liability franchise:** ICICIBC once again posted strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total/CASA deposits clocked ~17%/16% CAGR over FY17-22, leading to one of the highest CASA mix among its peers. The bank enjoys one of the lowest funding costs among Private Banks, which enables it to underwrite a profitable business without taking undue Balance Sheet risk.
- **Asset quality improved,** backed by a moderation in slippages and higher recoveries and upgrades. GNPA/NNPA moderated to 3.41%/0.70% v/s 3.6%/0.76% in 4QFY22. BB and below pool declined, while the restructuring book fell to ~0.8% of loans. However, the bank is carrying provisions of ~31%, higher than the regulatory requirement. We expect slippages to moderate significantly over FY22-24. PCR remained healthy ~80%, which, along with the additional provision buffer of INR85b, should keep credit cost under check. We estimate a credit cost of 0.7%/0.8% in FY23/FY24 for ICICIBC.
- **Maintain Buy with a TP of INR1,050 per share:** ICICIBC reported a robust operating performance, driven by a combination of impressive core PPOP performance and controlled provisions, despite the creation of contingent provisions, underpinned by pristine asset quality. A stable mix of high-yielding portfolio (Retail/Business Banking) and a low-cost liability franchise is fueling steady NII growth. The bank is seeing a strong recovery in business trends across

key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while PCR remains one of the best in the industry ~80%. The additional COVID-19 provision buffer (90bp of loans) renders further comfort. We expect the bank to deliver a FY24 RoA/RoE of 2.1%/17.1%. **We reiterate our Buy rating with an SoTP-based TP of INR1,050 per share (2.8x FY24E ABV). ICICIB remains our top pick in the sector.**

Exhibit 5: SoTP-based TP implies 31% potential upside from current levels

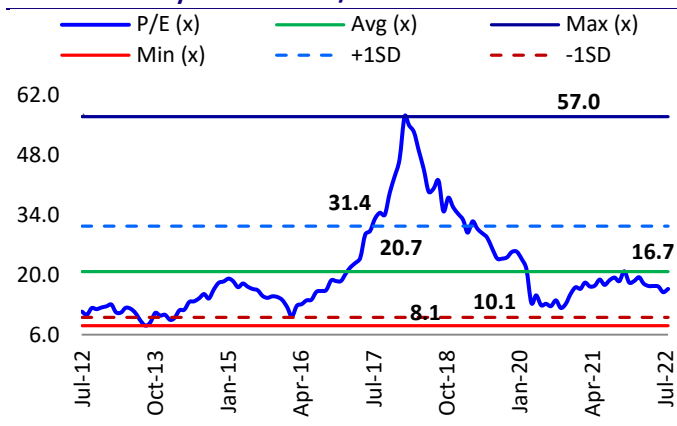
	Stake (%)	Total value (INR b)	Value per share (INR)	As a percentage of total value	Rationale
ICICI Bank	100	6,084	875	83.4	❖ 2.8x FY24E ABV
ICICI Pru. Life Insurance	51	497	72	6.8	❖ 2.3x FY24E Embedded Value
ICICI Lombard Gen. Ins.	48	334	48	4.6	❖ 35x FY24E PAT
ICICI Pru. AMC	51	368	53	5.0	❖ 30x FY24E PAT
ICICI Securities	75	186	27	2.6	❖ 17x FY24E PAT
ICICI Bank UK	100	30	4	0.4	❖ 0.8x FY24E net worth
ICICI Bank Canada	100	33	5	0.4	❖ 0.8x FY24E net worth
Others (Ventures, Home Finance, and PD)	100	69	10	0.9	
Total value of ventures		1,517	218	20.8	
Less: 20% holding discount		303	44	4.2	
Value of key ventures (post a holding co. disc.)		1,213	175	16.6	
TP after a 20% holding co. disc.		7,298	1,050		

Exhibit 6: One-year forward P/B ratio



Source: MOFSL, Company

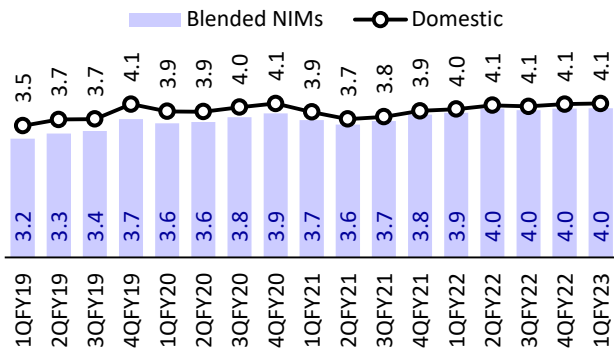
Exhibit 7: One-year forward P/E ratio



Source: MOFSL, Company

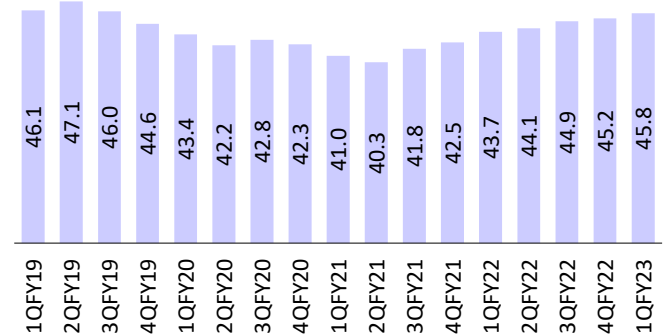
Story in charts

Exhibit 8: Domestic NIM expands by 2bp QoQ to 4.14%



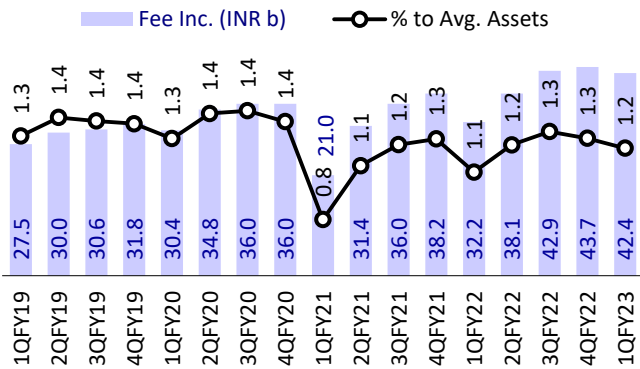
Source: MOFSL, Company

Exhibit 9: Average CASA ratio improves 60bp QoQ (%)



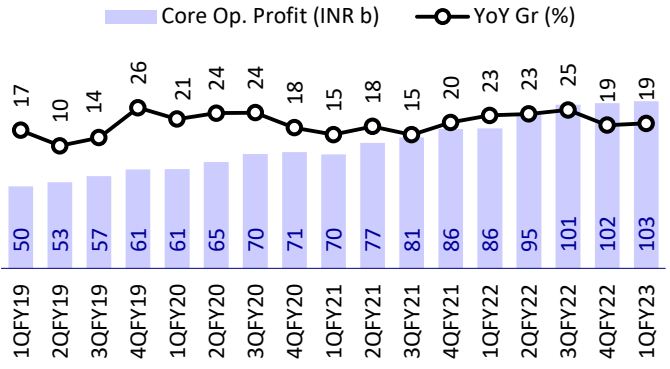
Source: MOFSL, Company

Exhibit 10: Fee income grew 32% YoY



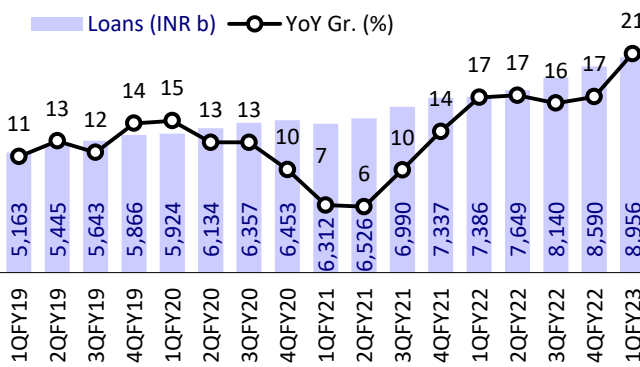
Source: MOFSL, Company

Exhibit 11: Core operating profit grew 19% YoY



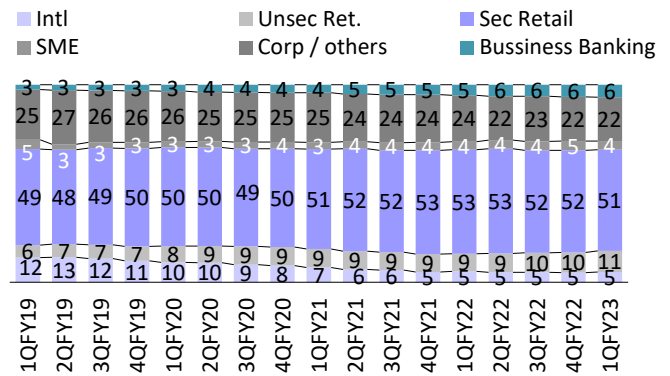
Source: MOFSL, Company

Exhibit 12: Overall loan book grew 21% YoY and 4.3% QoQ



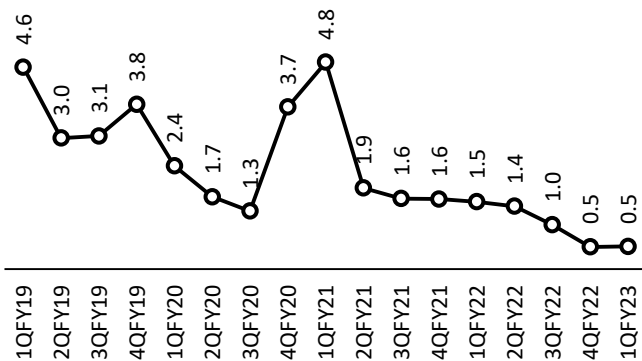
Source: MOFSL, Company

Exhibit 13: Retail loans continue to drive loan growth



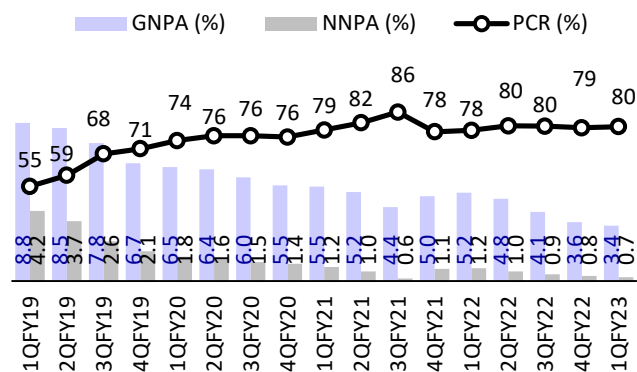
Source: MOFSL, Company

Exhibit 14: Credit cost stable at 0.5%, despite creation of further contingent provisions of INR10.5b



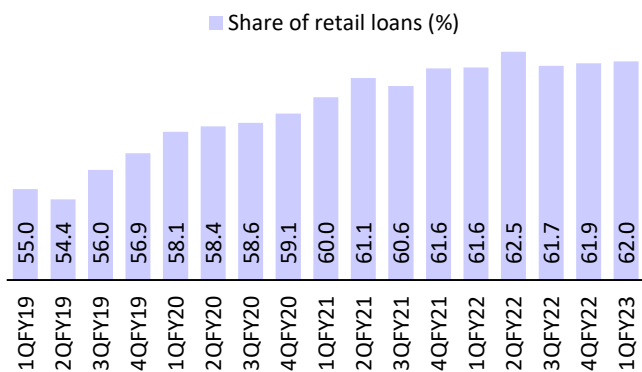
Source: MOFSL, Company

Exhibit 15: GNPA/NNPA ratio moderates 19bp/6bp QoQ to 3.4%/0.70% as of Jun'22; PCR stood healthy ~80%



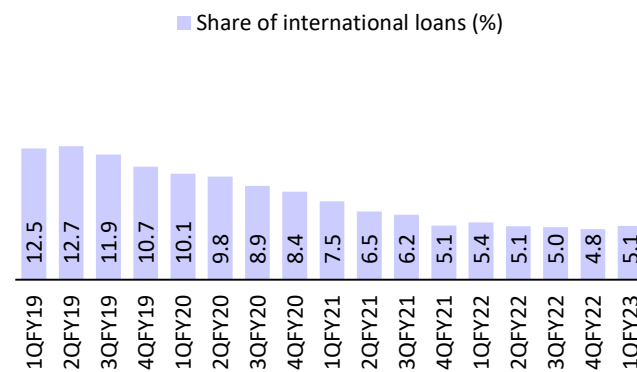
Source: MOFSL, Company

Exhibit 16: Share of Retail loans stood at 62% of total loans



Source: MOFSL, Company

Exhibit 17: Share of International loans increases to 5.1% of total loans



Source: MOFSL, Company

Exhibit 18: DuPont Analysis – Return ratios to pick up further, led by moderation in credit cost and a pickup in NII

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	7.26	6.66	6.88	7.25	6.79	6.54	7.04	7.45
Interest Expense	4.34	3.87	3.95	4.03	3.45	2.95	3.26	3.38
Net Interest Income	2.91	2.79	2.93	3.23	3.35	3.59	3.78	4.07
Core Fee Income	1.54	1.32	1.26	1.28	1.27	1.04	1.16	1.16
Trading and others	1.07	0.79	0.31	0.32	0.36	0.36	0.21	0.22
Non-Interest income	2.61	2.11	1.57	1.59	1.63	1.40	1.37	1.38
Total Income	5.53	4.90	4.50	4.82	4.98	5.00	5.15	5.45
Operating Expenses	1.98	1.90	1.96	2.10	1.85	2.02	2.12	2.19
Employee cost	0.77	0.72	0.74	0.80	0.69	0.73	0.75	0.78
Others	1.21	1.19	1.22	1.29	1.16	1.29	1.37	1.42
Operating Profit	3.55	3.00	2.54	2.72	3.13	2.97	3.03	3.25
Core operating Profit	2.48	2.21	2.23	2.41	2.77	2.61	2.82	3.04
Provisions	2.04	2.10	2.13	1.36	1.39	0.65	0.45	0.53
NPA	1.97	1.73	1.82	0.85	0.93	0.65	0.40	0.48
Others	0.07	0.37	0.31	0.51	0.47	0.00	0.04	0.05
PBT	1.51	0.90	0.41	1.36	1.73	2.32	2.58	2.72
Tax	0.20	0.08	0.04	0.59	0.34	0.55	0.62	0.65
RoA	1.31	0.82	0.36	0.77	1.39	1.77	1.96	2.07
Leverage	8.1	8.3	8.9	9.4	9.0	8.5	8.3	8.2
RoE	10.7	6.8	3.2	7.3	12.6	15.0	16.4	17.1
Core RoE	12.1	7.6	3.6	8.0	13.6	15.9	17.2	17.8

Financials and valuations

Income Statement								(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	541.6	549.7	634.0	748.0	791.2	863.7	1,065.0	1,301.4
Interest Expended	324.2	319.4	363.9	415.3	401.3	389.1	493.6	590.2
Net Interest Income	217.4	230.3	270.1	332.7	389.9	474.7	571.4	711.2
Growth (%)	2.4	5.9	17.3	23.1	17.2	21.7	20.4	24.5
Other Income	195.0	174.2	145.1	164.5	189.7	185.2	207.4	240.6
Total Income	412.4	404.5	415.3	497.2	579.6	659.8	778.8	951.8
Growth (%)	12.8	-1.9	2.7	19.7	16.6	13.8	18.0	22.2
Operating Exp.	147.6	157.0	180.9	216.1	215.6	267.3	321.1	383.1
Operating Profit	264.9	247.4	234.4	281.0	364.0	392.5	457.7	568.7
Growth (%)	11.0	-6.6	-5.3	19.9	29.5	7.8	16.6	24.2
Core PPP	178.6	189.5	221.0	264.6	312.2	383.4	453.2	563.6
Growth (%)	-11.0	6.1	16.6	19.7	18.0	22.8	18.2	24.4
Provisions and Cont.	152.1	173.1	196.6	140.5	162.1	86.4	67.5	92.5
PBT	112.8	74.3	37.8	140.5	201.8	306.1	390.2	476.2
Tax	14.8	6.6	4.1	61.2	39.9	72.7	93.6	114.3
Tax Rate (%)	13.1	8.8	10.9	43.5	19.8	23.7	24.0	24.0
PAT	98.0	67.8	33.6	79.3	161.9	233.4	296.6	361.9
Growth (%)	0.8	-30.9	-50.4	135.8	104.2	44.1	27.1	22.0

Balance Sheet								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	12.8	12.9	12.9	12.9	13.8	13.9	13.9	13.9
Reserves and Surplus	979.0	1,038.7	1,070.8	1,152.1	1,461.2	1,691.2	1,969.5	2,308.5
Net Worth	995.3	1,051.6	1,083.7	1,165.0	1,475.1	1,705.1	1,983.4	2,322.4
Deposits	4,900.4	5,609.8	6,529.2	7,709.7	9,325.2	10,645.7	12,295.8	14,386.1
Growth (%)	16.3	14.5	16.4	18.1	21.0	14.2	15.5	17.0
Of which CASA Deposits	2,468.2	2,899.3	3,239.4	3,478.2	4,316.2	5,184.4	5,791.3	6,819.0
Growth (%)	27.8	17.5	11.7	7.4	24.1	20.1	11.7	17.7
Borrowings	1,472.1	1,828.6	1,653.2	1,629.0	916.3	1,072.3	1,072.5	1,162.5
Other Liabilities and Prov.	350.1	302.0	378.5	479.9	587.7	689.8	793.3	936.1
Total Liabilities	7,717.9	8,791.9	9,644.6	10,983.6	12,304.3	14,113.0	16,145.0	18,807.1
Current Assets	757.1	841.7	803.0	1,191.6	1,331.3	1,678.2	1,511.5	1,647.0
Investments	1,615.1	2,029.9	2,077.3	2,495.3	2,812.9	3,102.4	3,598.8	4,102.6
Growth (%)	0.7	25.7	2.3	20.1	12.7	10.3	16.0	14.0
Loans	4,642.3	5,124.0	5,866.5	6,452.9	7,337.3	8,590.2	10,222.3	12,164.6
Growth (%)	6.7	10.4	14.5	10.0	13.7	17.1	19.0	19.0
Net Fixed Assets	78.1	79.0	79.3	84.1	88.8	93.7	101.2	109.3
Other Assets	625.3	717.3	818.5	759.8	734.1	648.4	711.1	783.6
Total Assets	7,717.9	8,791.9	9,644.6	10,983.7	12,304.3	14,113.0	16,145.0	18,807.1

Asset Quality								
GNPA	425.5	540.6	462.9	414.5	414.6	339.2	282.3	294.5
NNPA	256.1	278.9	135.8	100.5	92.5	69.6	55.1	55.7
GNPA Ratio (%)	8.8	10.0	7.5	6.1	5.4	3.8	2.7	2.4
NNPA Ratio (%)	5.4	5.4	2.3	1.6	1.3	0.8	0.5	0.5
Slippage Ratio (%)	8.0	6.1	2.0	2.2	2.3	2.4	2.1	2.0
Credit Cost (%)	3.3	3.5	3.6	2.3	2.4	1.1	0.7	0.8
PCR (Excl. Technical write-off) (%)	39.8	48.4	70.7	75.7	77.7	79.5	80.5	81.1

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield and Cost Ratios (%)								
Avg. Yield on Earning Assets	8.3	7.7	7.9	8.2	7.6	7.3	7.7	8.1
Avg. Yield on loans	8.8	8.4	8.7	9.3	8.3	8.0	8.7	9.0
Avg. Yield on Investments	7.1	6.3	6.2	6.4	6.2	5.5	6.3	6.7
Avg. Cost on Int. Bear. Liab.	5.3	4.6	4.7	4.7	4.1	3.5	3.9	4.1
Avg. Cost of Deposits	5.0	4.5	4.4	4.6	3.9	3.6	3.8	3.9
Interest Spread	3.4	3.0	3.3	3.5	3.5	3.7	3.8	4.0
Net Interest Margin	3.3	3.2	3.4	3.7	3.7	4.0	4.1	4.4

Capitalization Ratios (%)

CAR	17.4	17.9	16.9	16.1	18.9	19.2	18.8	18.5
<i>Tier I</i>	<i>14.4</i>	<i>15.6</i>	<i>15.1</i>	<i>14.7</i>	<i>17.8</i>	<i>18.4</i>	<i>18.1</i>	<i>17.9</i>
<i>Tier II</i>	<i>3.0</i>	<i>2.3</i>	<i>1.8</i>	<i>1.4</i>	<i>1.1</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	94.7	91.3	89.8	83.7	78.7	80.7	83.1	84.6
CASA Ratio (%)	50.4	51.7	49.6	45.1	46.3	48.7	47.1	47.4
Cost/Assets ratio	1.9	1.8	1.9	2.0	1.8	1.9	2.0	2.0
Cost/Total Income ratio	35.8	38.8	43.6	43.5	37.2	40.5	41.2	40.3
Cost/Core Income ratio	45.2	45.3	45.0	45.0	40.8	41.1	41.5	40.5
Int. Expended/Int. Earned ratio	59.9	58.1	57.4	55.5	50.7	45.0	46.3	45.3
Other Inc./Net Income ratio	47.3	43.1	34.9	33.1	32.7	28.1	26.6	25.3
Empl. Cost/Op. Exps. ratio	38.9	37.7	37.6	38.3	37.5	36.2	35.5	35.5

Valuation

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
RoE (%)	10.7	6.8	3.2	7.3	12.6	15.0	16.4	17.1
Core RoE (%)	12.1	7.6	3.6	8.0	13.6	15.9	17.2	17.8
RoA (%)	1.3	0.8	0.4	0.8	1.4	1.8	2.0	2.1
RoRWA (%)	1.6	1.1	0.5	1.0	1.9	2.7	3.1	3.1
Standalone ABV	120.2	115.3	135.5	151.3	187.3	222.6	264.7	314.1
ABV Growth (%)	2.7	-4.0	17.5	11.6	23.8	18.8	18.9	18.6
Adjusted Price-to-ABV (x)	5.2	5.4	4.6	4.1	3.3	2.8	2.4	2.0
Consol. Book Value (INR)	179.6	172.1	177.2	189.9	227.8	262.9	306.4	358.9
BV Growth (%)	11.0	-4.2	3.0	7.2	19.9	15.4	16.6	17.1
Price-to-Consol. BV ratio (x)	4.5	4.6	4.5	4.2	3.5	3.0	2.6	2.2
EPS (INR)	16.8	11.1	5.2	12.3	24.2	33.7	42.7	52.1
EPS Growth (%)	0.5	-34.3	-52.8	135.0	97.0	39.2	26.8	22.0
Adj. Price-to-Earnings ratio (x)	37.1	56.5	119.7	50.9	25.9	18.6	14.7	12.0

NOTES

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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