

Retail Equity Research

ICICI Bank Ltd.

Banking

BSE CODE: 532174

NSE CODE: ICICIBANK

Bloomberg CODE: ICICIB:IN

SENSEX: 55,268

BUY

12Months Investment Period Rating as per Large cap

 CMP Rs. 796 TARGET Rs. 932 RETURN 17% ↑
 (Closing: 26-07-22)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↑

Growth momentum sustained in Q1

ICICI Bank is India's second-largest private sector bank, with 5,534 branches and 13,379 ATMs across the country. Of the total branch network, ~51% are in semi-urban and rural areas.

- Standalone Q1FY23 net interest income (NII) grew at 20.8% YoY with NIM expanding 12bps YoY to 4.01%.
- Core operating profit (profit before provisions and tax, excl. treasury income) rose 19% YoY to Rs. 10,273cr in the quarter.
- Robust growth in deposits and advances, improving asset quality and with further reductions in gross and net NPA levels will drive the bank's performance over the medium term. Hence, we reiterate our BUY rating on the stock, with a target price of Rs. 932 based on SOTP.

Solid performance during the quarter

Overall loan portfolio grew by 21.3% YoY and 4.3% QoQ as of June 30, 2022. Total period-end deposits grew 13.4% YoY as of June 30, 2022. CASA deposits rose 15.8% YoY, with average CASA ratio at 45.8% in Q1FY23. The bank's NII increased 20.8% YoY to Rs. 13,210cr in Q1FY23 from Rs. 10,936cr in Q1FY22. Over the period, core operating profit (PPOP) rose 19% YoY to Rs. 10,273cr from Rs. 8,605cr; excluding dividend income from subsidiaries/associates, core operating profit grew 21% YoY in Q1FY23. PAT rose 49.6% YoY to Rs. 6,905cr in Q1FY23, and NIM was 4.01% compared with 3.89% in Q1FY22. Non-interest income, excluding treasury income, increased 25% YoY to Rs. 4,629cr in Q1FY23 from Rs. 3,706cr in Q1FY22. Fee income grew by 31.8% YoY to Rs. 4,243cr from Rs. 3,219cr over the period. Liquidity coverage ratio for the quarter was ~127%, reflecting continued surplus liquidity.

Asset quality improved along with loan growth

Net NPA ratio improved to 0.70% as of June 30, 2022, from 0.76% on March 31, 2022, and 1.16% on June 30, 2021. During the quarter, there was net addition of Rs. 382cr to gross NPA, excluding write-offs and sale. The provisioning coverage ratio on NPAs was 79.6% as of June 30, 2022. Total provision during the quarter was Rs. 11.44 billion, or 11.10% of core operating profit, and 0.53% of average advances.

Key concall highlights

- The bank's capital position remained strong, with CET-1 ratio of 17.23%, tier 1 ratio of 17.95%, and total capital adequacy ratio of 18.74%.
- iMobile Pay app saw 7.3mn activations by non-ICICI account holders as on June 30, 2022, and the value of transactions increased 35% QoQ.
- The bank launched Campus Power, an online platform providing various banking solutions such as loans, bank accounts, foreign exchange remittances and value-added services to students pursuing higher education in India and abroad.

Outlook and valuation

ICICI Bank reported robust operating performance, driven by a combination of impressive core PPOP performance and controlled provisions. The bank also saw robust growth in deposits and advances. Overall business growth was better than the industry average as the bank's asset quality continued to improve, while PCR remained one of the best in the industry, and NPA levels continue a downward trend. Hence, we remain positive on the stock, and reiterate our BUY rating with a target price of Rs. 932 based on SOTP.

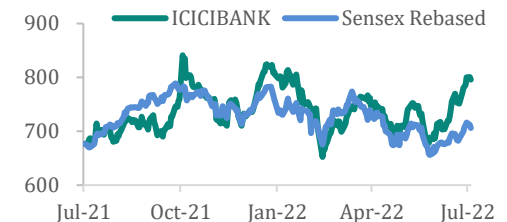
Company Data

Market Cap (cr)	Rs. 5,53,780		
Outstanding Shares (cr)	695.4		
Free Float	100.0%		
Dividend Yield	0.7%		
52 week high	Rs. 860		
52 week low	Rs. 642		
6m average volume (lacs)	5.8		
Beta	1.1		
Face value	Rs. 2		

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	0.0	0.0	0.0
FII's	45.3	44.0	43.5
MFs/Insti	44.0	44.8	45.6
Public	8.3	8.7	8.6
Others	2.4	2.5	2.3
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	5.6%	-0.7%	17.6%
Absolute Sensex	-3.6%	-4.5%	4.6%
Relative Return*	9.3%	3.8%	13.1%

*over or under performance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Net Interest Income	47,466	57,794	66,446
Growth (%)	21.7	21.8	15.0
NIM (%)	4.1	4.4	4.3
Pre-Provision Profit	39,250	48,046	55,297
Net Profit	23,339	29,421	33,541
Growth (%)	44.1	26.1	14.0
Adj. EPS	33.0	41.6	47.4
Growth (%)	39.3	26.1	14.0
BVPS	245.3	282.7	324.6
P/E	22.1	19.1	16.8
P/B	3.0	2.8	2.5
ROE (%)	14.7	16.1	15.9
ROA (%)	1.8	1.9	1.9

Quarterly Financials (Standalone)

Profit & Loss Account

Rs. Cr.	Q1FY23	Q1FY22	YoY Growth %	Q4FY22	QoQ Growth %
Interest Income	23,672	20,383	16.1	22,675	4.4
Interest Expense	10,462	9,448	10.7	10,070	3.9
Net Interest Income (NII)	13,210	10,936	20.8	12,605	4.8
Non-Interest Income	4,665	3,996	16.8	4,737	(1.5)
Total Net Income	17,875	14,932	19.7	17,342	3.1
Total Income	28,337	24,379	16.2	27,412	3.4
Operating Expenses	7,566	6,037	25.3	7,049	7.3
Total Expenditure	18,028	15,485	16.4	17,119	5.3
Pre-Provision profit	10,309	8,894	15.9	10,293	0.2
Provisions	1,144	2,852	(59.9)	1,069	7.0
Profit Before Tax	9,165	6,043	51.7	9,224	(0.6)
Tax	2,260	1,427	58.4	2,205	(2.5)
Net Profit	6,905	4,616	49.6	7,019	(1.6)
Adj.	-	-	-	-	-
Adj. PAT	6,905	4,616	49.6	7,019	(1.6)
Adj. EPS - Diluted (Rs.)	9.8	6.5	49.1	9.9	(1.5)

SOTP Valuation

Particulars	Basis	Multiple	% Holding	Value (Rs. cr.)	Value/share (Rs.)
ICICI Bank	FY24E ABV	2.5x	100%	564,354	812
Life Insurance	Geojit TP		51.37%	48,465	70
General Insurance	Geojit TP		51.88%	35,675	51
Securities	FY24E EPS	12.0x	75%	3,220	5
Others	FY24E EPS	10.0x	100%	17,205	25
Total value of subsidiaries				104,566	150
(20% holding discount)				(20,913)	(30)
Total Value				648,007	932

Change in Estimates

Change in estimates	Old Estimates		New Estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Interest Income (NII)	55,554	64,286	57,794	66,446	4.0	3.4
Net Interest Margin (%)	4.2	4.2	4.4	4.3	19bps	9bps
Pre-Provision Profit	46,019	53,214	48,046	55,297	4.4	3.9
Net Profit	27,905	31,983	29,421	33,541	5.4	4.9
EPS (Rs)	39.4	45.2	41.6	47.4	5.4	4.9



PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Interest Income	74,798	79,118	86,375	102,489	117,213
Interest Exp.	41,531	40,129	38,908	44,695	50,767
Net Int. Income	33,267	38,989	47,466	57,794	66,446
% Change	23.1	17.2	21.7	21.8	15.0
Non-Int. Income	16,449	18,969	18,518	21,972	25,129
Net Income	49,716	57,958	65,984	79,766	91,575
Total Income	91,247	98,087	104,892	124,462	142,342
Operating Exp.	21,614	21,561	26,733	31,721	36,278
Total Exp.	63,146	61,690	65,642	76,416	87,045
Pre-Prov. Profit	28,101	36,397	39,250	48,046	55,297
Provisions	14,053	16,214	8,641	8,728	10,473
PBT	14,048	20,183	30,609	39,318	44,823
Tax	6,117	3,990	7,269	9,896	11,282
Tax Rate (%)	43.5	19.8	23.7	25.2	25.2
Net Profit	7,931	16,193	23,339	29,421	33,541
% Change	135.8	104.2	44.1	26.1	14.0
Adj.	1,391	0	0	0	0
Adj. Net Profit	9,322	16,193	23,339	29,421	33,541
No. of Shares (cr)	646	674	693	693	693
Adj. EPS (Rs.)	14.2	23.7	33.0	41.6	47.4
% Change	174.8	66.7	39.3	26.1	14.0
DPS (Rs.)	0.0	2.0	5.0	6.3	7.2

BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash & Balances	35,284	46,031	60,121	68,838	82,606
Investments	249,531	281,287	310,241	344,368	406,354
Advances	645,290	733,729	859,020	987,874	1,185,448
Fixed Assets	8,410	8,878	9,374	9,843	10,335
Other Assets	159,849	160,508	172,542	213,606	265,544
Total Assets	1,098,365	1,230,433	1,411,298	1,624,527	1,950,287
Capital	1,295	1,383	1,390	1,390	1,390
Reserves & Surplus	115,206	146,123	168,856	194,802	223,963
Deposits	770,969	932,522	1,064,572	1,165,706	1,305,591
Borrowings	162,897	91,631	107,231	115,810	125,075
Other Liabilities	47,995	58,770	68,983	146,553	294,002
Total Liabilities	1,098,365	1,230,433	1,411,298	1,624,527	1,950,287
BVPS (Rs.)	181	213	245	283	325
% Change	7.5	18.0	15.0	15.2	14.8

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Valuation					
P/E (x)	22.9	24.6	22.1	19.1	16.8
P/BV (x)	1.8	2.7	3.0	2.8	2.5
Div. Yield (%)	0.0	0.3	0.7	0.8	0.9
Profitability & Return (%)					
Yield on Advances	9.3	8.3	8.0	8.2	8.3
Cost of Deposits	4.7	4.1	3.5	3.6	3.7
Spread	4.6	4.2	4.5	4.6	4.6
NIM	3.8	3.9	4.1	4.4	4.3
ROE	7.1	12.3	14.7	16.1	15.9
ROA	0.8	1.4	1.8	1.9	1.9
Capital Adequacy (%)					
CAR	16.1	19.1	19.2	19.3	19.4
Tier I	14.7	18.1	18.4	18.4	18.5
Tier II	1.4	1.1	0.8	1.0	1.0
Asset Quality (%)					
GNPA	5.5	5.0	3.6	3.3	3.1
NNPA	1.4	1.1	0.8	0.6	0.5
Operating Ratios (%)					
Credit/ Deposit	83.7	78.7	80.7	84.7	90.8
Cost/ Income	43.5	37.2	40.5	39.8	39.6
CASA	45.1	46.3	48.7	46.5	46.5



Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
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
28-Jan-22	BUY	944
4-May-22	BUY	907
27-Jul-22	BUY	932

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/Neutral			

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.

Sell: Exit from the stock.

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

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

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