

BFSI | Q3FY23 Result Update

Another Strong quarter

- **ICICI reported a strong set of numbers with 35 bps sequential expansion in NIM to 4.65%, PPOP growth of 31% YoY, and RoA of 2.2%.** This was despite additional contingent provisions of Rs15bn during the quarter (Rs40.5bn in 9MFY23).
- Loan growth at 4% QoQ/ 20% YoY was broad-based, with healthy sequential growth across retail (4.5%), SME (8%), and domestic corporate (4.7%). **Deposits growth was muted at 3% QoQ/10% YoY, partly as the bank did not resort to CDs as yet owing to excess liquidity.**
- Asset quality metrics continued show strength with moderation in headline ratios and **negative credit costs ex of contingency and conservative provisions, benefitting from recoveries from WO corporate accounts.**
- Earnings have been tweaked marginally factoring in higher near term NIM, increased opex, and lower fee lines. **Maintain BUY with a SOTP based TP of Rs 1120, valuing the standalone bank at 3x Sep-24E book. The bank stands out for its superior liability mix and strong digital capabilities, along with consistent improvement in core operating metrics.**

Superior provisioning buffers to cushion return ratios

With PCR at 83% and contingency provisions of Rs115bn or 1.2% of advances, the bank is well placed to continue reporting credit costs below long-term averages for longer. Continued recoveries from WO accounts/NPA is also benefitting credit costs. **We factor in provisioning costs of 70 bps for FY23E (as the bank makes additional provisions during good times) and 50bps for FY24/25E (where it uses up some of the buffers), cushioning RoAs of 2%.**

Near term NIM outlook improves; Factor in lower fee growth

Margins benefitted from repricing of EBLR loans and favourable loan mix. With assets yet to re-price fully, near-term **NIM outlook remains strong and we factor in higher NIM of 4.4% for FY23E, which moderate by ~25 bps in FY24E.** Growth in core fee income has been muted recently, led by moderation TPP distribution fees and foreclosure penalty waivers to retain clients. While there is scope for fee improvement from transaction banking business, **fee growth may not match loan growth in a hurry as per management. We consequently factor in lower growth in fee lines vs earlier.**

Q3FY23 Result (Rs Mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net interest income	164,650	122,360	34.6	147,868	11.3
Other income	50,236	49,871	0.7	50,549	(0.6)
Total Net Income	214,886	172,231	24.8	198,417	8.3
Operating expenses	82,174	70,749	16.1	81,614	0.7
Pre-provision profits	132,712	101,483	30.8	116,803	13.6
Provisions	22,574	20,073	12.5	16,445	37.3
Tax expense	27,019	19,471	38.8	24,780	9.0
Reported Net Profit	83,119	61,938	34.2	75,578	10.0
			(bps)		(bps)
Advances Growth YoY (%)	19.7	16.4	322	22.7	(303)
NIM (%)	4.8	4.1	73	4.5	34
RoA (%)	2.3	1.9	35	2.1	18
RoE (%)	18.4	16.0	246	17.2	126
Gross NPA (%)	3.1	4.1	(106)	3.2	(12)

CMP	Rs 870
Target / Upside	Rs 1,120 / 29%
NIFTY	18,028

Scrip Details

Equity / FV	Rs 13,900mn / Rs 2		
Market Cap	Rs 6,073bn		
	USD 74.8bn		
52-week High/Low	Rs 958/ 642		
Avg. Volume (no)	11,392,900		
Bloom Code	ICICIBC IN		
Price Performance	1M	3M	12M
Absolute (%)	(2)	(4)	8
Rel to NIFTY (%)	(2)	(6)	6

Shareholding Pattern

	Jun'22	Sep'22	Dec'22
Promoters	0.0	0.0	0.0
MF/Banks/FIs	45.6	47.2	47.2
FIs	43.5	42.7	42.7
Public / Others	10.9	10.2	10.2

Valuation (x)

	FY23E	FY24E	FY25E
P/E	19.0	18.1	15.9
P/ABV	3.2	2.8	2.4
ROAA	2.1	2.0	2.0
ROAE	17.2	15.7	15.5

Estimates (Rs bn)

	FY23E	FY24E	FY25E
NII	617.7	651.8	730.9
PPOP	489.5	500.6	551.2
PAT	317.8	334.8	379.4
Adj BV (Rs)	271.9	312.9	358.3

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Risks to our view: Lower than expected growth metrics, higher than expected opex, and pressure on margins

Exhibit 1: Actual v/s estimates

Particulars (Rs mn)	Actual	Estimated	% Variance
NII	164,650	158,219	4.1
Operating Profit	132,712	124,216	6.8
PAT	83,119	83,758	(0.8)

Source: Company, DART

Exhibit 2: Changes in estimates

Particulars (Rs mn)	Previous			Revised			Change %		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Net Op Rev	779,763	873,513	995,186	815,560	875,496	982,419	4.6	0.2	(1.3)
PPOP	464,309	508,459	572,703	489,528	500,559	551,241	5.4	(1.6)	(3.7)
PAT	312,465	330,303	362,948	317,811	334,823	379,378	1.7	1.4	4.5

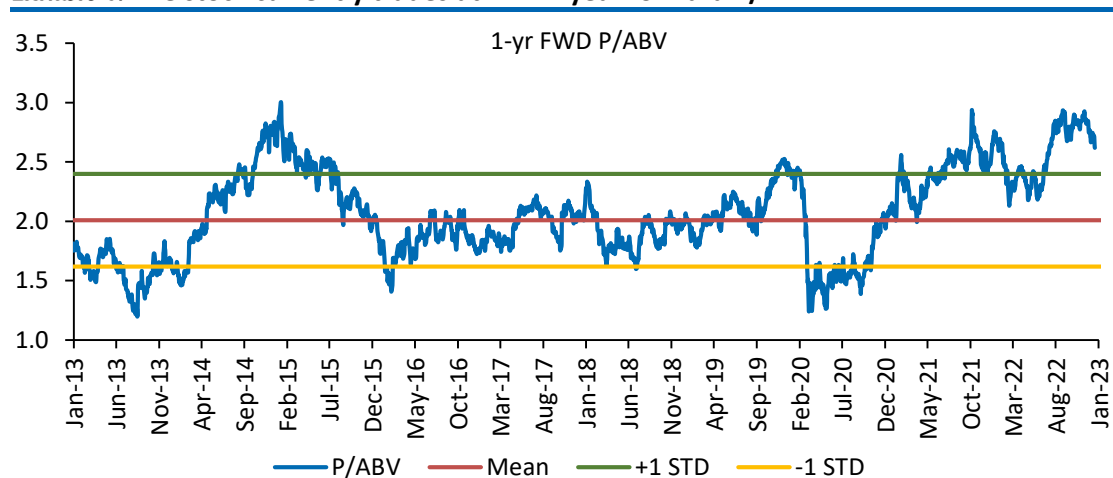
Source: DART, Company

Exhibit 3: SOTP Valuation

Entity	Stake	Per Share Value	Methodology
ICICI Standalone (A)*		963	3.0x FY22E ABV
Foreign Banking Subsidiaries		7	1x Net Worth
ICICI Home Finance	100%	2	0.5x Net Worth
ICICI Prudential Life Insurance	51%	66	2x EV
ICICI Lombard General Insurance	48%	46	30 x Earnings
ICICI AMC	51%	29	8% of AUM
ICICI Securities	75%	19	13x Earnings
Other Subsidiaries		15	
Value of Subsidiaries (B)		184	
Holdco. Discount	15%		
Value of the bank (A+B)		1120	
Contribution of subs to total (%)		16%	

Source: DART, Company; *adjusted for investment in subsidiaries

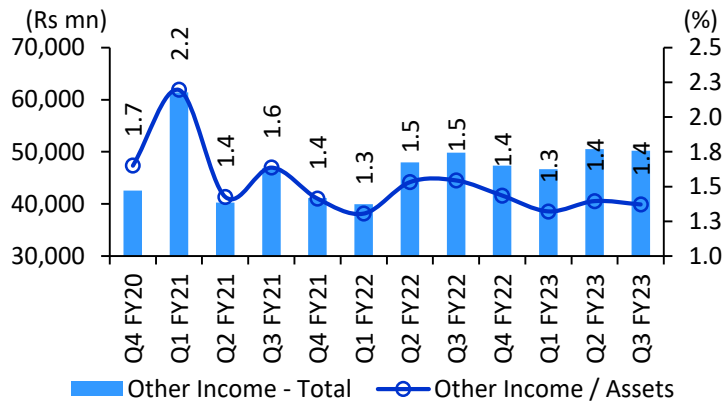
Exhibit 4: The stock currently trades at 2.7x 1-year forward P/ABV



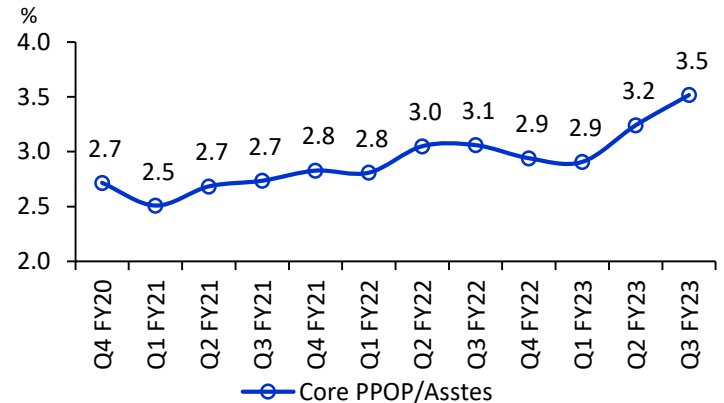
Source: DART, Company

Earnings Call KTAs

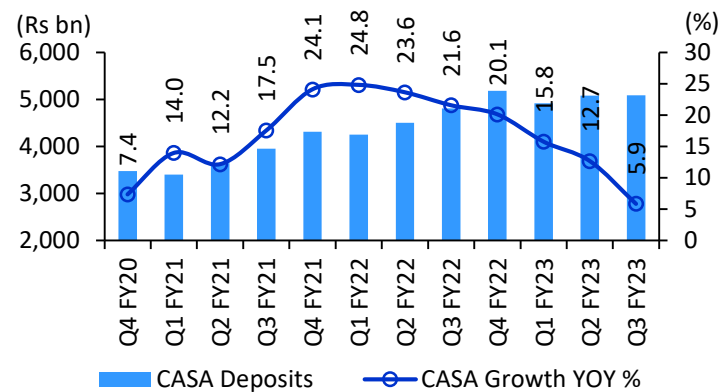
- **Deposits:** Deposit accretion was slower due to excess liquidity. Cost of deposits to rise at a sharper pace going forward. Wholesale deposit rates moved up early on and the bank has not been accruing the same. This has helped lower rise in deposit rates, re-pricing of retail deposits happening with a lag. Seeing healthy momentum in retail deposits. LDR at 85% is at higher end of its historical range.
- **Advances growth outlook:** Some Corp growth has been coming from tightening of liquidity. Retail loan volumes are quite steady, corp side we will have to wait and see. Capex mostly from govt. Also seen some private capex in RE, infra but not very material. Most corps are well funded and liquid, so the demand from them is limited.
- **Segmental growth:** SME portfolio grew by 8.3% sequentially, leveraging branch network and digital offering such as Instabiz and Merchant Stack. Overseas portfolio declined 8.7%, reflecting short-term maturities in India linked trade book. Of the overseas corporate portfolio, 86% is Indian corporates, 8% is foreign corporate with Indian linkage and 3% is companies owned by NRI and rest is overseas corporate. 49% of book is linked to EBLR (45% repo linked), 21% to MCLR and balance 30% is fixed.
- **Asset Quality:** Higher retail slippages vs last quarter was mainly led by seasonally higher agri slippages. Corp and SME slippages were mainly from restructured book, where the bank already held 25-30% provisions, lowering incremental provisioning requirements. Recoveries from WO accounts has been aiding lower provisions for the bank. The bank has seen 1-2 large corporate recoveries in this quarter, resulting in negative provisions ex of contingent and conservative provisions. No sale of NPA in current quarter.
- **Provisioning policy-** Minimum provisioning policy has been revamped. In retail/rural, the bank was already providing for NPA on a more accelerated basis. Tightened provisioning norms on NPA for corporate, SME and business banking that resulted in higher provisions of Rs.11.96bn.
- **Profitability.** No impact of interest tax refund on NIM in current quarter. From Q1, higher CoF will start impacting NIM. Non employee expense increased by 15.3% YoY driven by technology and retail business expenses. Cost to income is lower due to lower opex growth but C-I to remain in the range of 40%. Substantially reduced the exit penalties such as foreclosure charges, impacting fee income. Fee growth may not match loan growth in a hurry, even as there are levers of transaction banking fees.
- **Others:** The bank has 117200 employees, increased of 15,300 over the year. LCR at 123% in Q3

Exhibit 5: NIM improvement led by EBLR re-pricing


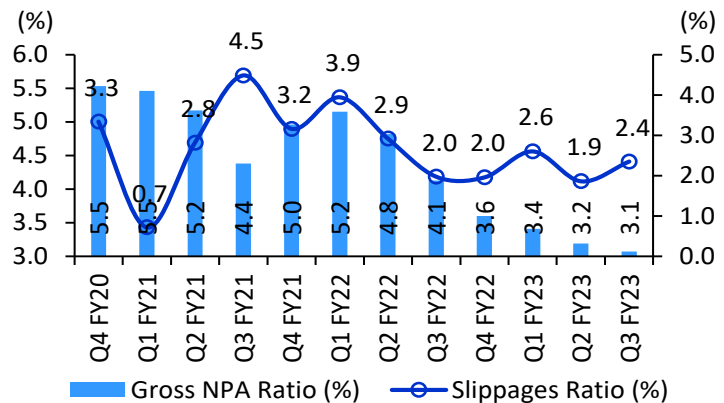
Source: Company, DART

Exhibit 6: Core PPOP has strengthened QoQ


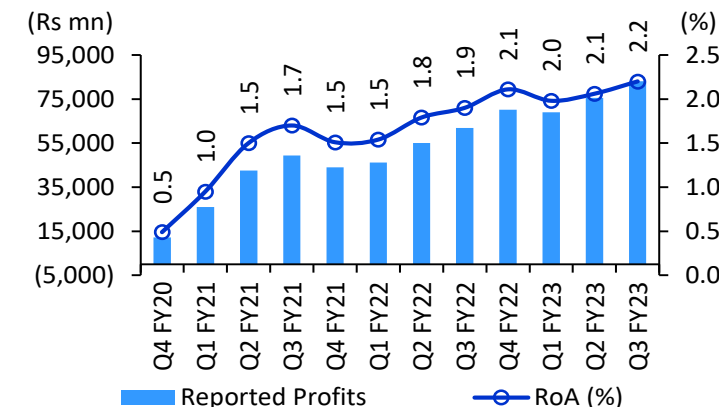
Source: Company, DART

Exhibit 7: CASA growth has moderated


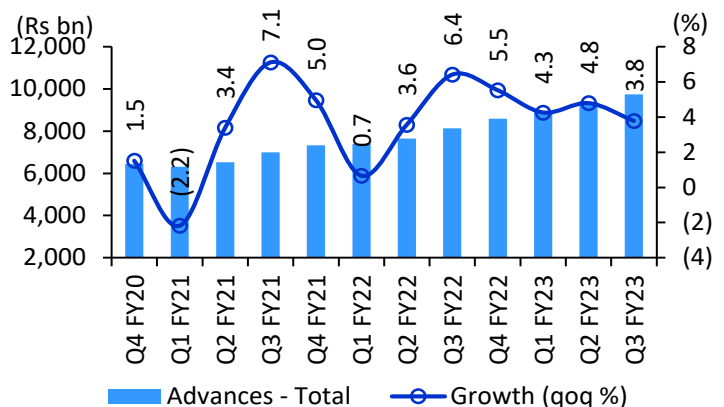
Source: Company, DART

Exhibit 8: Slippages rise marginally led by corporate/SME


Source: Company, DART

Exhibit 9: RoAs continue to strengthen


Source: Company, DART

Exhibit 10: Healthy growth metrics continue


Source: Company, DART

Exhibit 11: Exposure to Select Sectors

Particulars	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	QoQ % / bps	YoY % / bps
NBFCs	558	601	620	636	660	3.8	18.4
as % of loans	6.9	7.0	6.9	6.8	6.8	0	(0.1)
HFCs	118	85	80	100	105	5.4	(11.1)
as % of loans	1.4	1.0	0.9	1.1	1.1	0	(0.4)
Builder Loans	258	269	276	320	360	12.7	39.8
as % of loans	3.2	3.1	3.1	3.4	3.7	0.3	0.5
Power	377	401	374	425	438	3.1	16.3
as % of loans	4.6	4.7	4.2	4.5	4.5	0	(0.1)

Source: DART, Company

Quarterly Financials

Profit and Loss (Rs mn)	Q3FY23	Q3FY22	% YoY / bps	Q2FY23	% QoQ / bps	9MFY23	9MY22	% YoY / bps
Interest Income	285,056	220,826	29.1	260,330	9.5	782,102	636,997	22.8
Yield on Advances (%)	9.13	8.19	94	8.63	50	8.63	8.26	36
Yield on Assets (%)	8.07	7.15	92	7.59	48	7.62	7.22	40
Interest Expenses	120,407	98,466	22.3	112,462	7.1	337,484	288,381	17.0
Cost of Dep. (%)	3.90	3.47	43	3.55	35	3.64	3.55	9
Cost of Fund (%)	3.95	3.66	29	3.78	17	3.80	3.73	7
Net Interest Income	164,650	122,360	34.6	147,868	11.3	444,618	348,615	27.5
NII to Net Operative Income	76.6	71.0	558	74.5	210	75.1	71.7	343
NIM (%)	4.65	3.96	69	4.31	34	4.32	3.95	37
Dom. NIM (%)	4.79	4.06	73	4.45	34	4.46	4.05	41
Int. NIM (%)	0.63	0.28	35	0.51	12	0.49	0.27	22
Fee income	44,480	42,910	3.7	44,800	(0.71)	131,710	113,210	16.3
Profit on Sale / Rev of Investments	360	880	(59.1)	(850)	(142.4)	(130)	7,750	(101.7)
Other Income - Total	50,236	49,871	0.7	50,549	(0.6)	147,437	137,801	7.0
Other Inc to Net Oper. Income (%)	23.4	29.0	(558)	25.5	(210)	24.9	28.3	(343)
Net Operating Revenue	214,886	172,231	24.8	198,417	8.3	592,055	486,417	21.7
Employee Expenses	29,212	24,848	17.6	28,885	1.1	86,589	72,438	19.5
Empl. Cost/Oper. Exps. (%)	13.6	14.4	(83)	14.6	(96)	14.6	14.9	(27)
Other Opex	52,962	45,900	15.4	52,728	0.4	152,862	124,405	22.9
Other Opex/ Assets (%)	0.4	0.4	1	0.4	(0)	1.0	1.0	8
Total Opex	82,174	70,749	16.1	81,614	0.7	239,451	196,843	21.6
Cost to Income Ratio (%)	38.2	41.1	(284)	41.1	(289)	40.4	40.5	(2)
Pre Provision Profits	132,712	101,483	30.8	116,803	13.6	352,604	289,574	21.8
Provisions & Contingencies - Total	22,574	20,073	12.5	16,445	37.3	50,458	75,725	(33.4)
NPA Provisions as % PPP	17.0	19.8	(277)	14.1	293	14.3	26.1	(1,184)
Profit Before Tax	110,138	81,410	35.3	100,358	9.7	302,156	213,858	41.3
Tax	27,019	19,471	38.8	24,780	9.0	74,400	50,278	48.0
Effective Tax Rate (%)	24.5	23.9	61	24.7	(15.9)	24.6	23.5	111
Reported Profits	83,119	61,938	34.2	75,578	10.0	227,756	163,580	39.2
RoA (%)	2.20	1.90	30	2.06	14.0	2.08	1.74	34
Basic EPS	11.92	8.93	33.5	10.86	9.8	32.71	23.55	38.9

Balance Sheet Analysis	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ % / bps	YoY % / bps
Net Worth	1,628,716	1,702,456	1,774,910	1,819,968	1,628,716	1,906,331	4.7	17.0
CET1 (%)	15.8	17.6	16.5	15.6	15.8	15.0	(59)	(75)
Tier 1 (%)	16.9	18.4	17.3	16.2	16.9	15.5	(66)	(142)
Total CAR (%)	17.9	19.2	18.0	16.9	17.9	16.3	(67)	(165)
RWA - Total	8,546,870	8,835,910	9,415,420	9,987,590	8,546,870	10,413,780	4.3	21.8
Advances - Total	8,139,916	8,590,204	8,956,248	9,385,628	8,139,916	9,740,475	3.8	19.7
Investments	2,848,234	3,102,410	3,212,522	3,330,308	2,848,234	3,370,506	1.2	18.3
Total Assets	13,541,956	14,112,977	14,155,808	14,886,742	13,541,956	15,217,481	2.2	12.4
RoA (%)	1.90	2.11	1.98	2.06	1.90	2.20	14	30
Deposits	10,174,667	10,645,716	10,503,490	10,900,080	10,174,667	11,220,495	2.9	10.3
Saving Deposit	3,346,130	3,599,570	3,518,140	3,624,840	3,346,130	3,632,160	0.2	8.5
Current Deposit	1,460,430	1,584,800	1,403,000	1,453,560	1,460,430	1,456,260	0.2	(0.3)
CASA Deposits	4,806,560	5,184,370	4,921,140	5,078,400	4,806,560	5,088,420	0.2	5.9
Avg CASA Ratio(%)	44.9	45.2	45.8	45.0	44.9	44.6	(40)	(30)
Term Deposits	5,368,110	5,461,346	5,582,350	5,821,680	5,368,110	6,132,075	5.3	14.2

Movement of NPA (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ % / bps	YoY % / bps
Gross Advances	8,596,973	8,971,608	9,422,089	9,725,264	10,210,301	10,595,518	3.8	18.1
Gross NPA	414,374	370,527	339,195	331,632	325,709	325,282	(0.1)	(12.2)
Gross NPA Ratio (%)	4.82	4.13	3.60	3.41	3.19	3.07	(12)	(106)
PCR - Calculated (%)	80.3	80.2	79.5	79.9	81.3	82.6	135	245
Net Advances	8,243,475	8,639,859	9,159,066	9,508,786	9,841,593	10,348,795	3.5	19.8
Net NPA	81,610	73,439	69,609	66,562	60,993	56,512	(7.3)	(23.0)
Net NPA Ratio (%)	0.99	0.85	0.76	0.70	0.61	0.55	(6)	(30)

Loan Book Analysis (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ % / bps	YoY % / bps
Home Loans	2,646,950	2,782,670	2,930,630	3,050,760	3,186,130	3,313,790	4.0	19.1
Rural & Other	715,170	736,850	768,300	769,980	799,040	829,060	3.8	12.5
Personal Loans	525,740	569,630	628,730	683,750	743,550	809,320	8.8	42.1
Credit Cards	198,430	228,000	250,620	280,100	333,940	345,460	3.4	51.5
Vehicle Loans	636,190	658,640	680,510	702,300	726,180	756,930	4.2	14.9
Retails - Other	57,770	48,410	55,860	62,500	75,350	66,850	(11.3)	38.1
Retail Loans	4,780,250	5,024,200	5,314,650	5,549,390	5,864,190	6,121,410	4.4	21.8
SME	331,400	363,530	404,500	393,850	419,250	454,240	8.3	25.0
Domestic corporate	1,755,040	1,913,580	1,937,340	2,022,920	2,160,060	2,261,830	4.7	18.2
Overseas	387,010	406,770	412,840	457,630	379,910	352,650	(7.2)	(13.3)
Advances - Total	2,646,950	2,782,670	2,930,630	3,050,760	3,186,130	9,740,475	3.8	19.7

Financial Performance

Profit and Loss Account (Rs Mn)

Particulars	FY22A	FY23E	FY24E	FY25E
Interest Income	863,746	1,086,801	1,255,110	1,457,413
Interest expenses	389,085	469,094	603,330	726,463
Net interest income	474,661	617,707	651,780	730,950
Other incomes	185,175	197,853	223,717	251,469
Total expenses	267,333	326,032	374,937	431,178
- Employee cost	96,727	117,040	134,596	154,786
- Other	170,606	208,992	240,341	276,392
Pre provisioning profit	392,503	489,528	500,559	551,241
Provisions	86,414	71,355	60,003	52,060
Profit before taxes	306,089	418,173	440,556	499,182
Tax provision	72,694	100,362	105,733	119,804
Profit after tax	233,395	317,811	334,823	379,378
Adjusted profit	233,395	317,811	334,823	379,378

Balance Sheet (Rs Mn)

Particulars	FY22A	FY23E	FY24E	FY25E
Sources of Funds				
Equity Capital	13,900	13,900	13,900	13,900
Reserves & Surplus	1,691,220	1,973,235	2,269,531	2,611,586
Minority Interest	0	0	0	0
Net worth	1,705,120	1,987,135	2,283,430	2,625,485
Borrowings	1,072,314	1,297,197	1,489,034	1,741,883
- Deposits	10,645,716	11,674,773	13,401,309	15,676,946
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	689,828	685,774	631,846	605,440
Total Liabilities	14,112,977	15,644,879	17,805,619	20,649,754
Application of Funds				
Cash and balances with RBI	1,678,224	1,219,055	1,091,377	1,256,792
Investments	3,102,410	3,408,609	3,832,829	4,314,577
Advances	8,590,204	10,136,441	11,758,272	13,639,595
Fixed assets	93,738	102,693	111,635	123,832
Other current assets, loans and advances	648,401	778,081	1,011,506	1,314,958
Total Assets	14,112,977	15,644,879	17,805,619	20,649,754

E – Estimates

Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
(A) Margins (%)				
Yield on advances	8.0	8.9	9.0	9.1
Yields on interest earning assets	7.0	7.7	8.0	8.1
Yield on investments	5.5	6.3	6.4	6.4
Costs of funds	3.5	3.8	4.3	4.5
Cost of deposits	3.3	3.6	4.1	4.3
NIMs	3.8	4.4	4.1	4.1
(B) Asset quality and capital ratios (%)				
GNPA	3.6	2.8	2.5	2.4
NNPA	0.8	0.6	0.6	0.6
PCR	80.5	83.0	82.0	78.0
Slippages	2.9	2.3	2.1	2.1
NNPA to NW	4.1	2.9	2.9	3.4
CASA	49.2	48.0	47.0	47.0
CAR	19.2	18.3	18.1	17.6
Tier 1	18.4	17.7	17.6	17.2
Credit - Deposit	80.7	86.8	87.7	87.0
(C) Dupont as a percentage of average assets				
Interest income	6.5	7.3	7.5	7.6
Interest expenses	2.9	3.2	3.6	3.8
Net interest income	3.6	4.2	3.9	3.8
Non interest Income	1.4	1.3	1.3	1.3
Total expenses	2.0	2.2	2.2	2.2
- cost to income	40.5	40.0	42.8	43.9
Provisions	0.7	0.5	0.4	0.3
Tax	0.6	0.7	0.6	0.6
RoA	1.8	2.1	2.0	2.0
Leverage	8.4	8.0	8.0	8.0
RoE	14.7	17.2	15.7	15.5
RoRwa	2.6	3.0	2.7	2.6
(D) Measures of Investments				
EPS - adjusted	33.6	45.7	48.2	54.6
BV	240.4	280.1	322.2	370.8
ABV	230.4	271.9	312.9	358.3
DPS	5.0	5.0	5.0	5.0
Dividend payout ratio	0.0	0.0	0.0	0.0
(E) Growth Ratios (%)				
Net interest income	21.7	30.1	5.5	12.1
PPoP	7.8	24.7	2.3	10.1
Adj PAT	44.1	36.2	5.4	13.3
Advances	17.1	18.0	16.0	16.0
Total borrowings	17.0	21.0	14.8	17.0
Total assets	14.7	10.9	13.8	16.0
(F) Valuation Ratios				
Market Cap (Rs. mn)	6,073,389	6,073,389	6,073,389	6,073,389
CMP (Rs.)	870	870	870	870
P/E (x)	25.9	19.0	18.1	15.9
P/BV (x)	3.6	3.1	2.7	2.3
P/ABV (x)	3.8	3.2	2.8	2.4
Div Yield (%)	0.6	0.6	0.6	0.6

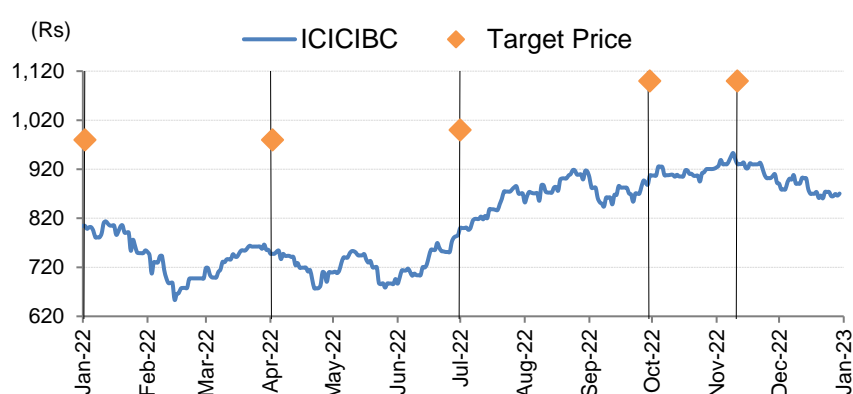
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-22	BUY	980	805
Apr-22	BUY	980	748
Jul-22	BUY	1,000	800
Oct-22	BUY	1,100	907
Dec-22	BUY	1,100	931

*Price as on recommendation date

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